

TOWN OF GREENEVILLE, TENNESSEE

Financial Statements

Year Ended June 30, 2011

TOWN OF GREENEVILLE, TENNESSEE
Financial Statements
June 30, 2011

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Independent Auditors' Report

Mayor and Board of Alderman
Town of Greeneville, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Greeneville, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Greeneville, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

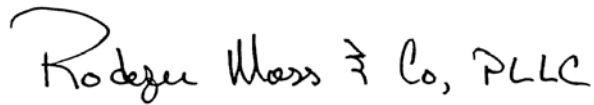
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Greeneville, Tennessee, as of June 30, 2011, and the respective changes in financial position, the respective budgetary comparison for the General Fund and the General Purpose School Fund, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2012, on our consideration of the Town of Greeneville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principals generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of retirement plan funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Greeneville, Tennessee's financial statements as a whole. The combining and individual nonmajor fund financial statements and the supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Rodger Moss & Co, PLLC". The signature is written in a cursive, flowing style.

Greeneville, Tennessee
March 14, 2012

TOWN OF GREENEVILLE, TENNESSEE
Management's Discussion and Analysis
June 30, 2011

This section of the Town of Greeneville's annual financial report presents a narrative overview and analysis of the financial performance of the Town for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

- The assets of the Town of Greeneville exceeded its liabilities at the close of the most recent fiscal year by \$153 million (net assets). Of this amount, \$40 million may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net assets).
- While the net assets of our business-type activities increased 783 thousand, the net assets of our governmental activities decreased 1 million.
- During the year, the Town generated \$154.4 million in taxes and other revenues for governmental programs. This compares with \$154.7 million of program expenses, including \$2.7 million depreciation expense.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$15.4 million, an increase of \$1.9 million from the prior year. Approximately 37 percent of the total amount, \$5.7million, is available for spending at the discretion of the Town.

- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$5.7 million.
- The primary government debt of the Town increased during the current fiscal year. This resulted from refinancing debt involving the termination of swap agreements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Greeneville's financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with both long-term and short-term information about the Town's overall financial status in a manner similar to a private-sector business.

There are two government-wide financial statements:

Statement of Net Assets - presents information about the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Statement of Activities - presents information showing how the Town's net assets changed during the most recent fiscal year. All current year revenues and expenses are taken into account regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., uncollected taxes and earned but unused vacation leave).

TOWN OF GREENEVILLE, TENNESSEE
Management's Discussion and Analysis (Continued)
June 30, 2011

Both government-wide financial statements distinguish between functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, education, public safety, public works, community development, health and welfare, debt service, and food service. The business-type activities include the Town's electric, water and sewer operations. The Board of Education, although legally separate, functions as a department of the Town and therefore has been included as a governmental activity of the primary government.

The government-wide financial statements can be found beginning on page 10 of this report.

Fund financial statements - The fund financial statements provide more detailed information about the most significant funds - not the Town as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Greeneville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - The Town's basic services are included in governmental funds. The focus of these funds is on (1) how cash and other financial assets that can readily be converted to cash were received and used and (2) what remains at the end of the fiscal year for future spending. This detailed short-term view helps in determining whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not include the additional long-term focus of the government-wide statements, we provide additional information after the governmental fund statement that explains the differences between the long-term view and the short-term view.

The Town of Greeneville maintains a general fund, multiple special revenue funds, and a capital projects fund as governmental funds. Information is presented separately in the governmental fund statements for the general fund and the general purpose school fund since both of these are considered major funds. Data for the other funds is combined into a single column. Individual fund data for each of these nonmajor governmental funds (including the special revenue funds) is provided in the supplementary section of this report.

Both the Town of Greeneville and the Board of Education adopt a budget for all of their governmental funds. Budgetary comparisons for the general fund and the general purpose school fund are found in the required supplementary information section, and comparisons for the other governmental funds (except the capital projects fund) are provided in the supplementary information section of the report. Budgetary comparisons are provided to demonstrate compliance with the budget.

The governmental fund financial statements begin on page 13 of this report.

Proprietary funds - Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The Town of Greeneville maintains one type of proprietary fund: enterprise funds.

Enterprise funds are the same as business-type activities in the government-wide financial statements but provide more detail and additional information, such as cash flows. Greeneville Light & Power and Greeneville Water and Light Commission are both considered major funds.

The proprietary fund statements begin on page 18 of this report.

Notes to the financial statements - The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The additional information contained in these notes is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 28 of this report.

TOWN OF GREENEVILLE, TENNESSEE
Management's Discussion and Analysis (Continued)
June 30 2011

Other information - In addition to the basic financial statements discussed above, this report also presents required supplementary information about the Town's progress in fund its obligation to provide pension benefits to its employees. The required supplementary information section also includes the budgetary comparison statements referred to above.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor special revenue funds are presented as supplementary information, as well as combining statements for the proprietary funds. Also included as supplementary information are budget to actual comparisons for governmental funds other than the general fund, the general purpose school fund, and the capital projects fund, as well as a number of schedules that provide additional detail information about the operations of the Town.

Both the required and additional supplementary information can be found following the notes to the financial statements.

Financial Analysis of the Town as a Whole

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Greeneville, assets exceeded liabilities by \$153 million at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (73 percent) reflects its investment in capital assets (land, buildings, equipment, etc.), less any related debt used to acquire those assets that is still outstanding. Because capital assets are used to provide services to citizens, the assets are not available for future spending. Although the Town of Greeneville's investment in capital assets is shown net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately \$40 million of unrestricted net assets may be used to meet the ongoing obligations of the Town. At the end of the fiscal year, the Town of Greeneville is able to report a positive balance in all categories of net assets: for the government as a whole, as well as for its governmental activities and its business-type activities.

Town of Greeneville's Net Assets (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 29,063	\$ 27,114	\$ 42,177	\$ 42,220	\$ 71,240	\$ 69,334
Capital assets	46,268	48,144	92,517	92,230	138,785	140,374
Total assets	<u>75,331</u>	<u>75,258</u>	<u>134,694</u>	<u>134,450</u>	<u>210,025</u>	<u>209,708</u>
Long-term debt outstanding	26,430	24,474	-	-	26,430	24,474
Other liabilities	11,850	12,618	18,392	18,931	30,242	31,549
Total liabilities	<u>38,280</u>	<u>37,092</u>	<u>18,392</u>	<u>18,931</u>	<u>56,672</u>	<u>56,023</u>
Invested in capital assets, net of debt	20,440	23,550	92,518	92,230	112,958	115,780
Restricted	-	-	-	-	-	-
Unrestricted	16,611	14,616	23,784	23,289	40,395	37,905
Total net assets	<u>\$ 37,051</u>	<u>\$ 38,166</u>	<u>\$ 116,302</u>	<u>\$ 115,519</u>	<u>\$ 153,353</u>	<u>\$ 153,685</u>

TOWN OF GREENEVILLE, TENNESSEE
Management's Discussion and Analysis (Continued)
June 30, 2011

Changes in Net Assets

Net assets of the governmental activities of the Town decreased 3 percent to \$37million. Of that balance, \$20.4 million are invested in capital assets (buildings, land, equipment, etc.) Therefore, \$16.6 million remains to meet the Town's ongoing obligations to citizens and creditors.

During the same period the net assets of the business-type activities increased 1 percent to \$116.3 million. However, the Town generally can only use these net assets to finance the continuing operations of the Light & Power System and the Water and Light Commission.

The following is a summary of financial activities for the Town during the fiscal year ended June 30, 2011:

Town of Greeneville's Changes in Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program revenues						
Charges for services	\$ 3,871	\$ 3,810	\$ 111,830	\$ 97,900	\$ 115,701	\$ 101,710
Grants	18,046	18,356	-	241	18,046	18,597
General revenues						
Local taxes	20,445	19,970	-	-	20,445	19,970
Intergovernmental revenues	1,103	1,062	-	-	1,103	1,062
Investment income	66	130	177	314	243	444
Total revenues	<u>\$ 43,531</u>	<u>\$ 43,328</u>	<u>\$ 112,007</u>	<u>\$ 98,455</u>	<u>\$ 155,538</u>	<u>\$ 141,783</u>
Expenses						
Governmental activities						
General government	1,093	978	-	-	1,093	978
Education	26,413	25,500	-	-	26,413	25,500
Public safety	4,961	5,035	-	-	4,961	5,035
Public works	3,461	3,605	-	-	3,461	3,605
Community development	149	51	-	-	149	51
Health and welfare	1,589	1,542	-	-	1,589	1,542
Debt service	2,449	2,632	-	-	2,449	2,632
Food service	1,371	1,358	-	-	1,371	1,358
Other	3,160	4,185	-	-	3,160	4,185
Business-type activities						
Light & Power System	-	-	103,929	89,122	103,929	89,122
Water and Light Commission	-	-	7,296	6,954	7,296	6,954
Total expenses	<u>44,646</u>	<u>44,886</u>	<u>111,225</u>	<u>96,076</u>	<u>155,871</u>	<u>140,962</u>
Increase (decrease) in net assets	<u>\$ (1,115)</u>	<u>\$ (1,558)</u>	<u>\$ 782</u>	<u>\$ 2,379</u>	<u>\$ (333)</u>	<u>\$ 821</u>

TOWN OF GREENEVILLE, TENNESSEE
Management's Discussion and Analysis (Continued)
June 30, 2011

Governmental Activities

Current fiscal year revenues for the governmental activities of the Town were \$43.5 million while the same period expenses were \$44.6 million. The single largest source of governmental activity revenue, property taxes, accounted for \$10.3 million of total local taxes, while local sales tax and other local taxes comprised \$10 million. The largest portion of intergovernmental revenues was state funds for education, which comprised \$15.6 million of the total. The single largest expenditure was education at \$26.4 million.

Business-type Activities

Revenues for the business-type activities of the Town were \$112 million for the fiscal year, an increase of \$13.6 million or 13 percent. However, the same period saw a \$15.1 million or about a 15 percent increase in expenses to \$111.2 million.

- The largest source of business-type activity revenue is generated from the Greeneville Light & Power System. Sales of electricity increased 14 percent to \$105.1 million. However, there was also an increase of 16 percent in operating expenses and purchased power as well. Purchased power accounted for a \$13 million increase in expenses, with all other operating and maintenance expenses increasing minimally.
- The Water and Light Commission is comprised of two operations: the water and the wastewater operations. Operating revenues increased by about 8 percent over the prior year, while operating expenses increased by about 5 percent.

Operating Revenues and Expenses - Business-type Activities
(in thousands)

	Light & Power System		Water and Light Commission		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues	\$ 105,114	\$ 91,702	\$ 6,660	\$ 6,129	\$ 111,774	\$ 97,831
Expenses	<u>102,827</u>	<u>88,060</u>	<u>7,296</u>	<u>6,954</u>	<u>110,123</u>	<u>95,014</u>
Net operating income	<u>\$ 2,287</u>	<u>\$ 3,642</u>	<u>\$ (636)</u>	<u>\$ (825)</u>	<u>\$ 1,651</u>	<u>\$ 2,817</u>

Financial Analysis of the Town's Funds

The Town of Greeneville uses fund accounting to help it control and manage money for particular purposes or to demonstrate compliance with legal requirements. More detailed analysis is provided below for the Town's funds.

Governmental Funds

Governmental funds focus on providing information on the near-term flow of resources. As the Town completed the year, its governmental funds reported a combined fund balance of \$13.6 million. Approximately 60 percent of this amount (\$8 million) constitutes unreserved fund balance, which is available for spending at the discretion of the Town. All of the governmental funds reported a positive ending fund balance. Information about the major governmental funds is presented in the following paragraph.

TOWN OF GREENEVILLE, TENNESSEE
Management's Discussion and Analysis (Continued)
June 30, 2011

General Fund - This fund is the chief operating fund of the Town of Greeneville. At the end of the current fiscal year, unreserved fund balance was \$5.1 million. Total fund balance of the general fund of the Town increased 17% during the fiscal year.

General purpose school fund - This fund is the operating fund of the Town of Greeneville Board of Education. At the end of the fiscal year, unreserved fund balance was \$3.6 million. Total fund balance of the general purpose school fund increased by 13 percent or \$419,139 during the year.

Proprietary Funds

As the Town completed the fiscal year, its proprietary funds, which include two enterprise funds, had a combined fund balance of \$116 million. Of this amount, \$23.7 million was available to meet on-going obligations with the majority, \$92.5 million, invested in capital assets.

Light & Power System - Net assets of the Light & Power System increased \$1.3 million to \$82.8 million for fiscal year 2011.

Water and Light Commission - Net assets of the Water and Light Commission decreased \$.5 million to \$33.5 million for fiscal year 2011.

General Fund Budgetary Highlights

The only difference between original and final budgets of the general fund at the fund level was the amount of state street aid that is budgeted in the general fund and must be allocated to the special revenue fund for street repairs at year end. The differences shown were due to reallocations within the general fund as authorized in the original budget ordinance. When comparing the amended budget revenues with appropriations, the Town anticipated a balanced budget. Actual revenues exceeded budgeted revenues by \$.7 million while actual expenditures exceeded those budgeted by \$.3 million, resulting in an increase of fund balance by \$.4 million

Capital Asset and Debt Administration

Capital Assets

At the end of this year, the Town had \$139 million (net of accumulated depreciation) invested in capital assets, including land and land rights, buildings, utility system improvements, machinery and equipment, and furniture and fixtures. The table shows the investment in capital assets by both governmental activities and business-type activities.

Town of Greeneville's Capital Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land and land rights	\$ 4,325	\$ 4,315	\$ 2,029	\$ 2,026	\$ 6,354	\$ 6,341
Buildings and improvements	63,351	63,291	34,499	34,274	97,850	97,565
Infrastructure	46,325	46,325	-	-	46,325	46,325
Equipment	14,004	14,432	128,494	124,211	142,498	138,643
Construction in progress	500	71	563	687	1,063	758
Less accumulated depreciation	<u>(82,237)</u>	<u>(80,290)</u>	<u>(73,067)</u>	<u>(68,971)</u>	<u>(155,304)</u>	<u>(149,261)</u>
	<u>\$ 46,268</u>	<u>\$ 48,144</u>	<u>\$ 92,518</u>	<u>\$ 92,227</u>	<u>\$ 138,786</u>	<u>\$ 140,371</u>

TOWN OF GREENEVILLE, TENNESSEE
Management's Discussion and Analysis (Continued)
June 30, 2011

Debt

At the end of the current fiscal year, the Town of Greeneville had \$30.1 million in long-term debt outstanding, an increase of 9 percent over last year.

Town of Greeneville's Outstanding Debt
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Notes payable	\$ 24,503	\$ 23,040	\$ -	\$ -	\$ 24,503	\$ 23,040
General obligation bonds	1,250	1,380	-	-	1,250	1,380
Capital leases	94	175	-	-	94	175
TVA home insulation program	-	-	2,003	1,616	2,003	1,616
Other post employment benefits	425	425	3,172	2,088	3,597	2,513
Compensated absences	523	542	679	672	1,202	1,214
Retirement incentive	167	151	-	-	167	151
Due for easements	-	-	38	39	38	39
Total long-term debt	<u>\$ 26,962</u>	<u>\$ 25,713</u>	<u>\$ 5,892</u>	<u>\$ 4,415</u>	<u>\$ 32,854</u>	<u>\$ 30,128</u>

The Town of Greeneville maintains an "A" rating from Standard & Poor's rating service for its general obligation debt.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Greeneville, Recorder's Office, 200 North College Street, Greeneville, Tennessee 37745.

TOWN OF GREENEVILLE, TENNESSEE
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,903,664	\$ 22,000,021	\$ 31,903,685
Certificates of deposit	-	2,073,000	2,073,000
Investments	8,290	532,952	541,242
Receivables (net of allowance for uncollectibles)			
Taxes	9,175,362	-	9,175,362
Accounts	637,518	7,520,830	8,158,348
Other	-	2,825,288	2,825,288
Due from other governments	6,262,576	-	6,262,576
Inventory	123,334	1,844,533	1,967,867
Prepaid expenses	89,992	312,271	402,263
Restricted assets			
Cash and cash equivalents	-	2,482,980	2,482,980
Self-insurance cash and money market	1,167,014	-	1,167,014
Self-insurance certificate of deposits	950,000	-	950,000
Self-insurance investments	182,774	-	182,774
Industrial park fund receivable	-	618,179	618,179
TVA home insulation program receivables	-	1,966,572	1,966,572
Bond issue costs	562,660	-	562,660
Capital assets			
Land	4,324,852	2,029,056	6,353,908
Construction in progress	499,573	562,684	1,062,257
Buildings and improvements	63,351,150	34,499,322	97,850,472
Equipment and vehicles	14,004,569	128,493,558	142,498,127
Infrastructure	46,324,604	-	46,324,604
Less: accumulated depreciation	(82,237,165)	(73,066,798)	(155,303,963)
Total capital assets	<u>46,267,583</u>	<u>92,517,822</u>	<u>138,785,405</u>
Total assets	<u>\$ 75,330,767</u>	<u>\$ 134,694,448</u>	<u>\$ 210,025,215</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Net Assets (Continued)
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable	\$ 685,788	\$ 1,197,078	\$ 1,882,866
Customer deposits	-	2,049,176	2,049,176
Advance from TVA	-	7,070,320	7,070,320
Accrued expenses	2,116,794	1,705,570	3,822,364
Due to other governmental unit	169,319	-	169,319
Other	-	222,350	222,350
Unearned revenues	8,278,513	254,813	8,533,326
Interest payable	86,739	-	86,739
Capital lease	62,107	-	62,107
Current portion of bonds and notes	451,000	-	451,000
Noncurrent liabilities			
Capital lease	32,151	-	32,151
Bond premium	627,252	-	627,252
Bonds and notes	24,655,000	-	24,655,000
Compensated absences and retirement incentive	690,232	679,593	1,369,825
Other post employment benefits	424,929	3,172,296	3,597,225
TVA home insulation program liabilities	-	2,002,705	2,002,705
Amounts due for easements purchased	-	38,375	38,375
Total liabilities	<u>38,279,824</u>	<u>18,392,276</u>	<u>56,672,100</u>
NET ASSETS			
Invested in capital assets, net of related debt	20,440,073	92,517,822	112,957,895
Unrestricted	<u>16,610,870</u>	<u>23,784,350</u>	<u>40,395,220</u>
Total net assets	<u>\$ 37,050,943</u>	<u>\$ 116,302,172</u>	<u>\$ 153,353,115</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Activities
Year Ended June 30, 2011

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary Government						
Governmental activities						
General government	\$ 1,093,257	\$ 265,772	\$ 1,639,542	\$ 812,057	\$ -	\$ 812,057
Public enterprises	30,380	-	-	(30,380)	-	(30,380)
Community development	148,745	-	81,813	(66,932)	-	(66,932)
Health and welfare	1,588,773	284,270	-	(1,304,503)	-	(1,304,503)
Food service	1,370,932	-	-	(1,370,932)	-	(1,370,932)
Public works	3,461,167	1,071,380	654,617	(1,735,170)	-	(1,735,170)
Debt service	2,449,509	-	-	(2,449,509)	-	(2,449,509)
Other	3,129,626	-	-	(3,129,626)	-	(3,129,626)
Public safety	4,961,037	376,367	-	(4,584,670)	-	(4,584,670)
Education	26,412,806	1,872,735	15,670,330	(8,869,741)	-	(8,869,741)
Total governmental activities	44,646,232	3,870,524	18,046,302	(22,729,406)	-	(22,729,406)
Business-type activities						
Light & Power	102,826,687	105,167,624	-	-	2,340,937	2,340,937
Water and Light Commission	7,295,817	6,662,933	-	-	(632,884)	(632,884)
Total business-type activities	110,122,504	111,830,557	-	-	1,708,053	1,708,053
Total primary government	\$ 154,768,736	\$ 115,701,081	\$ 18,046,302	(22,729,406)	1,708,053	(21,021,353)
General revenues and transfers						
Local taxes						
Property taxes				10,373,131	-	10,373,131
Sales taxes				8,248,458	-	8,248,458
Other taxes				1,823,248	-	1,823,248
Unrestricted investment earnings				66,522	177,345	243,867
Transfers				1,102,760	(1,102,760)	-
Total general revenues and transfers				21,614,119	(925,415)	20,688,704
Change in net assets				(1,115,287)	782,638	(332,649)
Net assets - beginning, restated				38,166,230	115,519,534	153,685,764
Net assets - ending				\$ 37,050,943	\$ 116,302,172	\$ 153,353,115

See accompanying notes to financial statements.

TOWN OF GREENEVILLE, TENNESSEE
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,651,861	\$ 4,292,103	\$ 2,959,700	\$ 9,903,664
Investments	-	-	8,290	8,290
Receivables, net				
Taxes	9,043,624	131,738	-	9,175,362
Accounts	535,459	-	102,059	637,518
Due from other funds	-	238,992	206,919	445,911
Due from other governmental units	4,819,967	996,698	-	5,816,665
Inventory	-	-	123,334	123,334
Prepaid expenses	89,992	-	-	89,992
Restricted assets				
Self-insurance cash and money market	1,167,014	-	-	1,167,014
Self-insurance certificate of deposits	950,000	-	-	950,000
Self-insurance investments	182,774	-	-	182,774
Total assets	<u>\$ 19,440,691</u>	<u>\$ 5,659,531</u>	<u>\$ 3,400,302</u>	<u>\$ 28,500,524</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 285,141	\$ 181,654	\$ 218,993	\$ 685,788
Accrued liabilities	194,438	1,910,119	12,237	2,116,794
Due to other funds	-	-	78,271	78,271
Due to other governmental units	91,048	-	-	91,048
Deferred revenue - taxes	10,050,515	-	-	10,050,515
Total liabilities	<u>10,621,142</u>	<u>2,091,773</u>	<u>309,501</u>	<u>13,022,416</u>
Fund balances				
Nonspendable	89,992	-	123,334	213,326
Restricted	3,986	-	2,578,448	2,582,434
Committed	110,491	-	179,606	290,097
Assigned	2,843,797	3,567,758	209,413	6,620,968
Unassigned	5,771,283	-	-	5,771,283
Total fund balances	<u>8,819,549</u>	<u>3,567,758</u>	<u>3,090,801</u>	<u>15,478,108</u>
Total liabilities and fund balances	<u>\$ 19,440,691</u>	<u>\$ 5,659,531</u>	<u>\$ 3,400,302</u>	<u>\$ 28,500,524</u>

TOWN OF GREENEVILLE, TENNESSEE
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances of governmental funds	\$ 15,478,108
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet.	46,267,583
Bond issue costs are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	562,660
Revenues for amounts not received during the period of availability is not considered "available" and has been deferred in the funds.	1,772,002
Other post-employment benefits represent liabilities of the Town that are not recorded at the fund level.	(424,929)
Interest payable on long-term debt does not require current financial resources, therefore, interest payable is not reported as a liability at the fund level.	(86,739)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet:	
Due within one year	(513,107)
Due in more than one year	<u>(26,004,635)</u>
Net assets of governmental activities	<u>\$ 37,050,943</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local taxes	\$ 17,143,037	\$ 4,321,151	\$ -	\$ 21,464,188
Intergovernmental revenues	1,612,442	12,088,124	4,318,636	18,019,202
Charges for services	1,284,873	757,627	1,182,852	3,225,352
Food service	-	-	531,813	531,813
Other revenues	-	452,942	15,680	468,622
Fines, fees, and costs	168,612	-	-	168,612
Interest income	61,494	4,368	660	66,522
Licenses and permits	63,042	-	-	63,042
Use of property	9,310	-	-	9,310
Total revenues	<u>20,342,810</u>	<u>17,624,212</u>	<u>6,049,641</u>	<u>44,016,663</u>
Expenditures				
Education	-	22,125,241	2,823,009	24,948,250
Debt service	13,750,316	522,227	-	14,272,543
Public safety	4,879,717	-	-	4,879,717
Public works	1,615,794	-	2,102,729	3,718,523
Other expenditures	3,090,252	-	-	3,090,252
Health and welfare	1,473,180	-	-	1,473,180
Food service	-	-	1,370,932	1,370,932
General government	645,858	-	-	645,858
Capital outlay	179,381	-	-	179,381
Community development	-	-	80,564	80,564
Public enterprises	30,380	-	-	30,380
Total expenditures	<u>25,664,878</u>	<u>22,647,468</u>	<u>6,377,234</u>	<u>54,689,580</u>
Excess of revenues under expenditures	<u>(5,322,068)</u>	<u>(5,023,256)</u>	<u>(327,593)</u>	<u>(10,672,917)</u>
Other financing sources (uses)				
Issuance of bonds	12,550,000	-	-	12,550,000
Operating transfers in	163,412	5,442,395	414,612	6,020,419
Operating transfers out	(5,857,007)	-	(163,412)	(6,020,419)
Total other financing sources	<u>6,856,405</u>	<u>5,442,395</u>	<u>251,200</u>	<u>12,550,000</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 1,534,337	\$ 419,139	\$ (76,393)	\$ 1,877,083

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
Year Ended June 30, 2011

	General Fund	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 1,534,337	\$ 419,139	\$ (76,393)	\$ 1,877,083
Fund balances, July 1, 2010, restated	<u>7,285,212</u>	<u>3,148,619</u>	<u>3,167,194</u>	<u>13,601,025</u>
Fund balances, June 30, 2011	<u>\$ 8,819,549</u>	<u>\$ 3,567,758</u>	<u>\$ 3,090,801</u>	<u>\$ 15,478,108</u>

TOWN OF GREENEVILLE, TENNESSEE
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2011

Net change in fund balances - total governmental funds	\$ 1,877,083
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$2,729,246) exceeded capital outlay (\$852,283) in the current period.	(1,876,963)
Some property taxes and grants will not be collected for several months after the Town's fiscal year end, therefore, they are not considered "available" revenues and are deferred in the governmental funds.	36,509
Expenses for compensated absences and retirement incentives do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	3,230
Interest expense reported in the statement of activities does not require the use of current financial resources, therefore, it is not reported as an expenditure in the governmental funds.	26,479
Repayment of bond and note principal and leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>(1,181,625)</u>
Change in net assets of governmental activities	<u>\$ (1,115,287)</u>

TOWN OF GREENEVILLE, TENNESSEE

Statement of Net Assets

Proprietary Funds

June 30, 2011

	Light & Power System	Water and Light Commission	Total Proprietary Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 17,015,790	\$ 4,984,231	\$ 22,000,021
Accounts receivable, net	7,049,713	471,117	7,520,830
Unbilled revenues	2,671,087	-	2,671,087
Materials and supplies	1,575,298	269,235	1,844,533
Prepaid expenses	146,263	166,008	312,271
Investment interest receivable	1,409	-	1,409
Short-term investments	-	82,952	82,952
Total current assets	<u>28,459,560</u>	<u>5,973,543</u>	<u>34,433,103</u>
Other assets			
Certificates of deposit	2,073,000	-	2,073,000
Investments	450,000	-	450,000
Investment interest receivable	112,246	-	112,246
Other receivables	-	40,546	40,546
Cash reserved for construction	-	2,231,159	2,231,159
Designated funds			
Industrial Park fund cash	251,821	-	251,821
Industrial Park fund receivable	618,179	-	618,179
TVA Home Insulation Program Accounts receivable	1,966,572	-	1,966,572
Capital assets, net	65,971,994	25,983,144	91,955,138
Construction in progress	<u>267,322</u>	<u>295,362</u>	<u>562,684</u>
Total other assets	<u>71,711,134</u>	<u>28,550,211</u>	<u>100,261,345</u>
Total assets	<u>\$ 100,170,694</u>	<u>\$ 34,523,754</u>	<u>\$ 134,694,448</u>

(Continued)

TOWN OF GREENEVILLE, TENNESSEE
Statement of Net Assets (Continued)
Proprietary Funds
June 30, 2011

	Light & Power System	Water and Light Commission	Total Proprietary Funds
LIABILITIES			
Current liabilities (payable from current assets)			
Accounts payable	\$ 1,019,972	\$ 177,106	\$ 1,197,078
Customer deposits	1,757,996	291,180	2,049,176
Due to TVA for power invoice	7,070,320	-	7,070,320
Deferred revenues	254,813	-	254,813
Accrued wages and other accrued liabilities	1,377,174	328,396	1,705,570
	<u>11,480,275</u>	<u>796,682</u>	<u>12,276,957</u>
Current liabilities (payable from restricted cash)			
Accounts payable, construction funds	-	207,350	207,350
Construction bonds held	-	15,000	15,000
	<u>-</u>	<u>222,350</u>	<u>222,350</u>
Total current liabilities	<u>11,480,275</u>	<u>1,019,032</u>	<u>12,499,307</u>
Long-term liabilities			
Accrued sick leave	679,593	-	679,593
Net OPEB obligation	3,172,296	-	3,172,296
TVA home insulation program	2,002,705	-	2,002,705
Amounts due for easements purchased	-	38,375	38,375
Total long-term liabilities	<u>5,854,594</u>	<u>38,375</u>	<u>5,892,969</u>
Total liabilities	<u>17,334,869</u>	<u>1,057,407</u>	<u>18,392,276</u>
NET ASSETS			
Invested in capital assets, net of related debt	66,239,316	26,278,506	92,517,822
Unrestricted	<u>16,596,509</u>	<u>7,187,841</u>	<u>23,784,350</u>
Total net assets	<u>82,835,825</u>	<u>33,466,347</u>	<u>116,302,172</u>
Total liabilities and net assets	<u>\$ 100,170,694</u>	<u>\$ 34,523,754</u>	<u>\$ 134,694,448</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
Year Ended June 30, 2011

	Light & Power System	Water and Light Commission	Total Proprietary Funds
Operating Revenue			
Sales	\$ 101,654,348	\$ 6,659,627	\$ 108,313,975
Other operating	<u>3,459,848</u>	<u>-</u>	<u>3,459,848</u>
Total operating revenues	<u>105,114,196</u>	<u>6,659,627</u>	<u>111,773,823</u>
Operating Expenses			
Purchased power	85,936,295	-	85,936,295
Distribution expense	4,870,808	-	4,870,808
Provision for depreciation	3,238,725	1,443,425	4,682,150
Other	-	3,837,937	3,837,937
Administrative and general expenses	1,806,622	2,014,455	3,821,077
Maintenance of distribution facilities	3,817,233	-	3,817,233
Customer accounts expense	2,423,677	-	2,423,677
Payments in lieu of taxes	320,156	-	320,156
Sales expense	191,501	-	191,501
Transmission expense	125,983	-	125,983
Maintenance of general plant	92,004	-	92,004
Interest expense	<u>3,683</u>	<u>-</u>	<u>3,683</u>
Total operating expenses	<u>102,826,687</u>	<u>7,295,817</u>	<u>110,122,504</u>
Operating income (loss)	<u>2,287,509</u>	<u>(636,190)</u>	<u>1,651,319</u>
Other Income			
Interest income	95,776	81,569	177,345
Gain on disposal	1,719	3,306	5,025
Other	<u>51,709</u>	<u>-</u>	<u>51,709</u>
Total other income	<u>149,204</u>	<u>84,875</u>	<u>234,079</u>
Transfers out			
Payments in lieu of tax	<u>(1,102,760)</u>	<u>-</u>	<u>(1,102,760)</u>
Changes in net assets	1,333,953	(551,315)	782,638
Total net assets - beginning, restated for Light and Power System	<u>81,501,872</u>	<u>34,017,662</u>	<u>115,519,534</u>
Total net assets - ending	<u>\$ 82,835,825</u>	<u>\$ 33,466,347</u>	<u>\$ 116,302,172</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	Light & Power System	Water and Light Commission	Total Proprietary Funds
Cash Flows From Operating Activities			
Cash receipts from customers	\$ 107,236,896	\$ 6,607,386	\$ 113,844,282
Cash paid to suppliers for goods and services and employees	<u>(100,828,230)</u>	<u>(5,642,858)</u>	<u>(106,471,088)</u>
Net cash flows from operating activities	<u>6,408,666</u>	<u>964,528</u>	<u>7,373,194</u>
Cash Flows From Noncapital Financing Activities			
Increase in home insulation program receivables	(386,514)	-	(386,514)
Increase in home insulation program liabilities	387,049	-	387,049
Transfers, in lieu of taxes	<u>(1,102,760)</u>	<u>-</u>	<u>(1,102,760)</u>
Net cash flows from noncapital financing activities	<u>(1,102,225)</u>	<u>-</u>	<u>(1,102,225)</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(4,492,797)	(717,250)	(5,210,047)
Grants from federal and state sources	-	246,864	246,864
Proceeds from sale of capital assets	-	3,306	3,306
Excess removal cost of plant	(55,265)	-	(55,265)
Net revenues from merchandising and jobbing	<u>51,709</u>	<u>-</u>	<u>51,709</u>
Net cash flows from capital and related financing activities	<u>(4,496,353)</u>	<u>(467,080)</u>	<u>(4,963,433)</u>
Cash Flows From Investing Activities			
Purchase of certificates of deposit	(1,583,000)	-	(1,583,000)
Maturities of certificates of deposit	3,178,000	2,123,507	5,301,507
(Increase) decrease in investments	300,000	(167)	299,833
Interest on investments	<u>146,947</u>	<u>117,659</u>	<u>264,606</u>
Net cash flows from investing activities	<u>2,041,947</u>	<u>2,240,999</u>	<u>4,282,946</u>
Net change in cash and cash equivalents	2,852,035	2,738,447	5,590,482
Cash and cash equivalents at the beginning of the year	<u>14,415,576</u>	<u>4,476,943</u>	<u>18,892,519</u>
Cash and cash equivalents at the end of the year	<u>\$ 17,267,611</u>	<u>\$ 7,215,390</u>	<u>\$ 24,483,001</u>

(Continued)

TOWN OF GREENEVILLE, TENNESSEE
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2011

	Light & Power System	Water and Light Commission	Total Proprietary Funds
Cash Flows From Operating Activities			
Operating income (loss)	\$ 2,287,509	\$ (636,190)	\$ 1,651,319
Adjustments to reconcile operating income to net cash provided by operating activities income			
Depreciation	3,534,181	1,443,425	4,977,606
Provision for bad debt	161,259	609	161,868
Changes in operating assets and liabilities			
(Increase) decrease in:			
Accounts receivable	99,731	(58,779)	40,952
Unbilled revenue	1,649,304	-	1,649,304
Materials and supplies	(189,205)	(25,967)	(215,172)
Prepaid expenses	9,690	24,027	33,717
Increase (decrease) in:			
Accounts payable	70,246	205,726	275,972
Due to TVA for power and accrued liabilities	(2,508,208)	-	(2,508,208)
Other payables and accrued expenses	1,081,752	5,748	1,087,500
Customer deposits	212,407	5,929	218,336
Net cash flows from operating activities	<u>\$ 6,408,666</u>	<u>\$ 964,528</u>	<u>\$ 7,373,194</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2011

	GAAP Budgeted Amounts			Variance with
	Original	Final	GAAP Actual	Final Budget
Budgetary Fund Balance, July 1	\$ 7,285,212	\$ 7,285,212	\$ 7,285,212	\$ -
Revenues				
Local taxes	16,877,197	17,039,944	17,143,037	103,093
Intergovernmental revenues	1,463,800	1,557,674	1,612,442	54,768
Charges for services	991,217	1,170,956	1,284,873	113,917
Licenses and permits	77,500	63,042	-	(63,042)
Use of property	4,800	4,800	-	(4,800)
Fines, fees, and costs	139,100	168,612	168,612	-
Interest income	95,000	51,536	61,494	9,958
Total revenues	26,933,826	27,341,776	27,555,670	213,894
Expenditures				
General government				
Mayor and alderman	18,300	18,300	15,564	2,736
Municipal court	5,000	5,000	5,000	-
Election commission	6,577	6,577	7,907	(1,330)
Recorder's office	140,225	140,225	135,430	4,795
City attorney	33,600	128,952	99,931	29,021
Accounting	276,845	276,845	279,173	(2,328)
Professional accounting service	45,950	45,950	72,050	(26,100)
Planning commission	12,000	12,000	16,306	(4,306)
TN Municipal League	4,319	4,319	3,823	496
Civil service board	3,900	3,900	10,674	(6,774)
First Tennessee Development District	3,823	3,823	-	3,823
Total general government	550,539	645,891	645,858	33
Public safety				
Police department	2,507,767	2,507,767	2,537,322	(29,555)
Radio equipment	10,000	10,000	-	10,000
Fire department	2,012,918	2,109,963	2,121,127	(11,164)
Building inspector	113,894	113,894	107,918	5,976
Emergency services	32,200	32,200	31,556	644
Civil defense	88,350	88,350	81,794	6,556
Total public safety	4,765,129	4,862,174	4,879,717	(17,543)
Public works				
Street clean	422,151	422,151	424,766	(2,615)
Street repair	532,936	408,885	439,438	(30,553)
Street signs	121,719	121,719	115,035	6,684
Street lighting	315,000	315,000	308,808	6,192
Garage	255,831	255,831	241,476	14,355
Town hall maintenance	88,900	88,900	86,271	2,629
Total public works	1,736,537	1,612,486	1,615,794	(3,308)
Total expenditures this page	\$ 7,052,205	\$ 7,120,551	\$ 7,141,369	\$ (20,818)

(Continued)

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
General Fund
Year Ended June 30, 2011

	GAAP Budgeted Amounts		GAAP Actual	Variance with
	Original	Final		Final Budget
Expenditures continued				
Health and welfare				
Mental health	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
Neighborhood	12,000	12,000	14,111	(2,111)
Other	33,850	33,850	31,850	2,000
Roby Center	330,725	330,725	337,721	(6,996)
Recreation	276,592	276,592	278,069	(1,477)
Pools	65,940	65,940	94,901	(28,961)
Health	91,830	91,830	101,629	(9,799)
Appropriations	104,500	120,461	130,976	(10,515)
Athletics	487,960	487,960	480,923	7,037
Total health and welfare	<u>1,406,397</u>	<u>1,422,358</u>	<u>1,473,180</u>	<u>(50,822)</u>
Public enterprise				
Appropriations	<u>30,380</u>	<u>30,380</u>	<u>30,380</u>	<u>-</u>
Capital outlay	<u>219,240</u>	<u>160,938</u>	<u>-</u>	<u>160,938</u>
Other expenditures				
Administration	<u>3,956,216</u>	<u>3,270,350</u>	<u>30,380</u>	<u>3,239,970</u>
Debt Service				
Principal	942,223	12,571,159	13,078,000	(506,841)
Interest	1,173,872	1,173,872	855,914	317,958
Fees	<u>3,000</u>	<u>3,000</u>	<u>(183,598)</u>	<u>186,598</u>
Total debt service	<u>2,119,095</u>	<u>13,748,031</u>	<u>13,750,316</u>	<u>(2,285)</u>
Total expenditures	<u>14,783,533</u>	<u>25,752,608</u>	<u>22,425,625</u>	<u>3,326,983</u>
Excess of revenues over (under) expenditures	<u>12,150,293</u>	<u>1,589,168</u>	<u>5,130,045</u>	<u>(3,540,877)</u>
Other financing sources (uses)				
Operating transfers in	-	-	163,412	163,412
Operating transfers out	(5,857,007)	(5,857,007)	(5,857,007)	-
Issuance of bonds	<u>12,550,000</u>	<u>12,550,000</u>	<u>12,550,000</u>	<u>-</u>
Total other financing sources (uses)	<u>6,692,993</u>	<u>6,692,993</u>	<u>6,856,405</u>	<u>163,412</u>
Fund balance, June 30, 2011	<u>\$ 18,843,286</u>	<u>\$ 8,282,161</u>	<u>\$ 11,986,450</u>	<u>\$ (3,704,289)</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Purpose School Fund
Year Ended June 30, 2011

	<u>GAAP Budgeted Amounts</u>		<u>GAAP Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Budgetary Fund Balance, July 1	\$ 3,148,619	\$ 3,148,619	\$ 3,148,619	\$ -
Resources				
State of Tennessee	11,489,873	11,576,791	11,634,342	57,551
Federal funds through state	372,038	323,131	377,707	54,576
Direct federal funds	74,198	74,198	76,075	1,877
Local taxes	4,040,458	4,079,683	4,321,151	241,468
Charges for current services	872,625	882,925	757,627	(125,298)
Investment income	-	-	4,368	4,368
Other local revenue	-	-	452,942	452,942
	<u>19,997,811</u>	<u>20,085,347</u>	<u>20,772,831</u>	<u>687,484</u>
Amounts available for appropriation				
Expenditures				
Instruction				
Salaries	10,736,825	10,614,597	10,613,115	1,482
Employee benefits	3,404,037	3,352,214	3,462,937	(110,723)
Contracted services	272,824	269,499	303,467	(33,968)
Fee waivers	25,000	25,000	25,000	-
Equipment	55,157	72,157	64,757	7,400
Materials and supplies	296,847	398,543	360,936	37,607
Textbooks	71,250	78,741	71,107	7,634
Staff development	147,800	116,302	120,137	(3,835)
Travel	20,900	25,162	25,917	(755)
Other	18,037	160,784	30,859	129,925
Total instruction	<u>15,048,677</u>	<u>15,112,999</u>	<u>15,078,232</u>	<u>34,767</u>
Technology				
Equipment	175,500	251,054	248,861	2,193
Staff development	5,000	4,157	4,157	-
Maintenance and repairs	31,400	14,406	30,524	(16,118)
Other	10,700	29,035	25,690	3,345
Total technology	<u>222,600</u>	<u>298,652</u>	<u>309,232</u>	<u>(10,580)</u>
Center for technology	<u>67,723</u>	<u>67,723</u>	<u>67,723</u>	<u>-</u>
Student support services				
Salaries	600,712	598,631	599,138	(507)
Employee benefits	170,848	170,741	161,655	9,086
Evaluation and testing	35,000	35,000	35,261	(261)
Total student support services	<u>806,560</u>	<u>804,372</u>	<u>796,054</u>	<u>8,318</u>
Total expenditures this page	<u>\$ 16,145,560</u>	<u>\$ 16,283,746</u>	<u>\$ 16,251,241</u>	<u>\$ 32,505</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
General Purpose School Fund
Year Ended June 30, 2011

	<u>GAAP Budgeted Amounts</u>		<u>GAAP Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures continued				
Board of education				
Employee benefits	\$ 11,676	\$ 11,676	\$ 11,414	\$ 262
Insurance	152,113	153,462	153,432	30
Audit and legal services	38,600	43,600	42,293	1,307
Contracted services	22,000	22,000	23,036	(1,036)
Trustee commissions	67,500	70,000	63,106	6,894
Travel	10,000	15,000	17,452	(2,452)
Dues and memberships	19,000	19,000	16,947	2,053
Other	13,000	15,500	14,446	1,054
Total board of education	<u>333,889</u>	<u>350,238</u>	<u>342,126</u>	<u>8,112</u>
Administration				
Salaries	1,379,285	1,379,285	1,406,580	(27,295)
Employee benefits	408,263	405,279	361,331	43,948
Contracted services	47,087	47,087	49,309	(2,222)
Equipment	6,000	6,000	4,115	1,885
Materials and supplies	15,730	15,730	9,559	6,171
Communications	66,000	72,690	68,847	3,843
Travel	14,500	14,500	17,563	(3,063)
Dues and memberships	7,895	7,895	5,309	2,586
Other	32,750	32,750	15,731	17,019
Total administration	<u>1,977,510</u>	<u>1,981,216</u>	<u>1,938,344</u>	<u>42,872</u>
Transportation				
Salaries	187,928	188,100	189,679	(1,579)
Employee benefits	95,691	103,036	101,757	1,279
Contracted services	95,967	95,967	120,782	(24,815)
Materials and supplies	142,099	142,099	112,455	29,644
Maintenance and repairs	34,000	34,000	18,653	15,347
Other	10,500	10,500	6,534	3,966
Total transportation	<u>566,185</u>	<u>573,702</u>	<u>549,860</u>	<u>23,842</u>
Health				
Salaries	90,361	91,524	91,525	(1)
Employee benefits	34,198	34,515	34,371	144
Contracted services	15,959	15,959	9,729	6,230
Materials and supplies	6,600	13,238	11,353	1,885
Travel	1,500	1,500	4,617	(3,117)
Total health	<u>148,618</u>	<u>156,736</u>	<u>151,595</u>	<u>5,141</u>
Total expenditures this page	<u>\$ 3,026,202</u>	<u>\$ 3,061,892</u>	<u>\$ 2,981,925</u>	<u>\$ 79,967</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Continued)
General Purpose School Fund
Year Ended June 30, 2011

	<u>GAAP Budgeted Amounts</u>		<u>GAAP Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures continued				
Maintenance and operations				
Salaries	\$ 748,593	\$ 749,113	\$ 683,027	\$ 66,086
Employee benefits	339,831	340,629	337,200	3,429
Insurance	78,375	78,375	78,375	-
Contracted services	100,947	100,947	157,470	(56,523)
Equipment	7,500	7,500	28,529	(21,029)
Utilities	833,636	880,095	761,460	118,635
Materials and supplies	80,400	80,400	113,365	(32,965)
Maintenance and repairs	184,500	191,513	204,018	(12,505)
Communications	4,000	4,000	3,687	313
Building Improvements	319,929	516,779	516,019	760
Other	7,200	7,200	8,925	(1,725)
Total maintenance and operations	<u>2,704,911</u>	<u>2,956,551</u>	<u>2,892,075</u>	<u>64,476</u>
Debt service	<u>507,314</u>	<u>524,814</u>	<u>522,227</u>	<u>2,587</u>
Total expenditures	<u>22,383,987</u>	<u>22,827,003</u>	<u>22,647,468</u>	<u>179,535</u>
Excess of resources over expenditures	<u>(2,386,176)</u>	<u>(2,741,656)</u>	<u>(1,874,637)</u>	<u>867,019</u>
Other Financing Sources				
Town of Greeneville	<u>5,467,395</u>	<u>5,502,650</u>	<u>5,442,395</u>	<u>(60,255)</u>
Total other financing sources	<u>5,467,395</u>	<u>5,502,650</u>	<u>5,442,395</u>	<u>(60,255)</u>
Fund balance, June 30, 2011	<u>\$ 3,081,219</u>	<u>\$ 2,760,994</u>	<u>\$ 3,567,758</u>	<u>\$ 806,764</u>

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Greeneville, Tennessee (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below:

The Reporting Entity - The Town was incorporated in 1903 under the provisions of the State of Tennessee and operates under a Mayor and Board of Aldermen form of government. It has the usual corporate powers of municipalities including taxation, entering into contracts, and issuing bonds. The following services are authorized by the Charter: Public Safety (Police and Fire), Public Works, Public Welfare, Public Utilities, Education, Planning and Zoning, and general administrative duties.

The Town, for financial statement purposes, includes all of the funds and account groups relevant to the operations of the Town of Greeneville, Tennessee. The financial statements presented herein do not include agencies that have been formed under applicable state laws as separate and distinct units of government apart from the Town.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and its special revenue, capital projects, and enterprise fund types. The Town of Greeneville, Tennessee, Board of Education, Greeneville Water and Light Commission, and Greeneville Light & Power System are included in the Town's reporting entity because of the significance of their operational or financial relationships with the Town. For more detailed information concerning The Town of Greeneville, Tennessee, Board of Education, Greeneville Water and Light Commission, and Greeneville Light & Power System financial results please see their separately issued financial statements.

Town of Greeneville, Tennessee, Board of Education - Members of the Board of Education, which are elected officials, approve its budgets and provide funding for the operation of the schools. The operations of the school system are reported in General Purpose School, Federal Projects, School Nutrition, and Extended School Program Funds, which are special revenue funds, and in the Capital Projects Fund.

Greeneville Light & Power System and Greeneville Water and Light Commission - The Mayor and Board of Aldermen appoint the board members of the Light & Power System. Commissioners of the Water and Light Commission are elected officials. Neither of these entities can issue bonded debt without the approval of the Mayor and Board of Aldermen. Operations of the electrical system are reported in the Greeneville Light & Power System, and operations of the water and wastewater systems are reported in the Greeneville Water and Light Commission, both of which are enterprise funds.

Financial statements for each of the above are available at Town Hall upon request.

Joint Ventures - The Town participates in several joint ventures as follows:

- 1) *Kinser Park Commission* - The Town, along with Greene County, Tennessee, operates Kinser Memorial Park, a park and recreational facility. The Park is maintained and operated by the Kinser Park Commission, which was created in 1962 by resolution of the Quarterly County Court of Greene County, Tennessee. Financial responsibility for the Park is maintained by the Town and Greene County. For the year ended June 30, 2011, the Town and Greene County appropriated \$20,000 and \$29,400, respectively, to supplement the Park's operating revenues. At June 30, 2011, the Park's fund balance was \$215,484.
- 2) *Greeneville - Greene County Airport Authority* - The Greeneville - Greene County Airport Authority is a non-profit corporation operated jointly by the Town and Greene County, Tennessee. The Airport Authority was chartered in 1980. Financial responsibility for the Airport is maintained by the Town and Greene County. For the year ended June 30, 2011, the Town and Greene County each appropriated \$30,380 to supplement the Airport's operating revenues. At June 30, 2011, the Airport's fund balance was \$2,889.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Joint Ventures - (Continued)

- 3) *Greeneville - Greene County Landfill* - The Greeneville - Greene County Landfill is operated jointly by the Town and Greene County, Tennessee, and provides services related to solid waste management. The Town has an ongoing financial responsibility for the Landfill since the Landfill is dependent upon ongoing funding from the Town and Greene County. For the year ended June 30, 2011, the Town and Greene County did not appropriate funds to the Landfill. At June 30, 2011, the Landfill's net assets were \$4,438,293.
- 4) *Greeneville - Greene County Library* - The Town participates with Greene County, Tennessee in a joint venture known as the Greeneville-Greene County Library. The Town has a continuing financial responsibility for the Library since the Library is dependent upon ongoing funding from the Town and Greene County. For the year ended June 30, 2011, the Town and Greene County each appropriated \$84,500 to supplement the Library's operating revenues. At June 30, 2011, the Library's fund balance was \$799,749.
- 5) *Greeneville - Greene County Center for Technology* - The Town of Greeneville, Tennessee, Board of Education participates with the Greene County Board of Education in a joint venture known as the Greeneville/Greene County Center for Technology. The Board of Education has an ongoing financial responsibility for the Center for Technology since the Center is dependent upon ongoing funding by the Town and Greene County Boards of Education.

Complete sets of financial statements are issued separately for each of the Town's joint ventures and are available at Town Hall upon request.

Financial Statements -

Basic Financial Statements - Government-Wide Statements - The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's public safety, public works, health and welfare, recreation, sanitation, and general administrative services are classified as governmental activities. The Town's electric, water, and sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted net assets are used first.

The government-wide Statement of Activities reports both the gross and net costs of each of the Town's functions (public safety, public works, etc.) and business-type activities. The functions are also supported by general government revenues (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating grants. Program revenues must be directly associated with the function (public safety, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary grants.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Financial Statements - (Continued)

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, sales and use taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements - The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of the financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

General Fund - The General Fund is the general operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Funds - Special Revenue Funds are used to account for all proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the Board of Education.

Proprietary Funds - The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are similar to those of businesses in the private sector. The following is a description of the proprietary funds of the Town:

Enterprise Funds - Greeneville Light & Power and Greeneville Water and Light Commission are enterprise funds. An enterprise fund is a proprietary type fund used to account for operations 1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Light Commission and Light & Power System applies FASB standards issued on or before November 30, 1989, that do not conflict with or contradict GASB standards. The Water and Light Commission and Light & Power System have opted not to apply FASB standards issued after November 30, 1989.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual - Both governmental and business-type activities in the government-wide financial statements and the proprietary funds financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred except that unbilled revenues representing power, water and wastewater services used from the latest billing cycle date to the end of the month are consistently not recognized until billed in the following month.

Modified Accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid sick pay which is not accrued; and (2) principal and interest on general obligation long-term debt which is recognized when due.

Budgets and Budgetary Accounting - The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- (2) The statements of revenues and expenditures - budget and actual for the General Fund and General Purpose School Fund present comparisons of legally adopted budgets with actual data on a budgetary basis.
- (3) The Board of Mayor and Aldermen approve, by ordinance, total budget appropriations by department only for the Town. The City Recorder is authorized to transfer budget amounts within departments of any fund; however, any revisions that alter the total appropriations of any department must be approved by the Board of Mayor and Aldermen. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis within departments.
- (4) The Board of Education submits a proposed fiscal year operating budget to the Board of Mayor and Aldermen. The Board of Mayor and Aldermen does not have the authority to make line item adjustments to the budget; they control only the Town appropriation. The operating budget includes proposed revenues and expenditures.

Public hearings are conducted to obtain citizen comments on the proposed budget. Upon second reading by the Board of Mayor and Aldermen, the budget is legally adopted. A copy of the budget must be filed with the Commissioner of Education.

The Board of Education has the authority to make revisions to the budget as deemed necessary. The amended budget is approved by the Board of Education and reflected in the official minutes of the Board. The amended budget is reflected in these financial statements. Actual expenditures may not legally exceed budget appropriations at the individual fund level. Actual expenditures exceeded budget appropriations in the Federal Projects Fund, School Nutrition Fund, and Municipal Solid Waste Fund.

- (5) Unused appropriations for annually budgeted funds lapse at the end of the year.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Accumulated Compensated Absences - It is the Town's policy to permit employees to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation from the Town's service. Sick leave can be accumulated indefinitely, but can only be used as service time for retirement if not used for sickness. In governmental funds, the cost of accumulated vacation expected to be paid in the next 12 months is recorded as a fund liability. Only one year's vacation can be accumulated. The cost of sick leave is recognized when payments are made to employees.

The enterprise funds recognize the cost of vacation and sick leave pay, up to the maximum allowable accumulation, as earned. The Water and Light Commission's policies provide that in the event of termination or retirement, an employee is reimbursed for accumulated vacation days up to the equivalent of 30 days and for one-third of his/her accumulated sick leave benefits up to a maximum accumulation of 130 days. The policies of Light & Power System provide that upon termination or retirement, an employee is reimbursed for all accumulated vacation days and for one-third of his/her accumulated sick leave benefits. Employees can apply the remaining two-thirds of unused sick leave toward service time for retirement purposes.

Revenue Recognition - The Town's revenue recognition policy is as follows:

- (1) Property taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied on October 1 become delinquent March 1 of the following year. Property taxes attach as a lien on property after one year of delinquency.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. Allowances for uncollectible taxes within the General Fund are based upon historical experience in collecting taxes.

- (2) The Water Commission and Light & Power System distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenue as billed to its customers is based on a monthly meter reading cycle.

Encumbrance Accounting is used for the General Purpose School, Federal Projects, School Nutrition, and Extended School Program Funds. Encumbrances are recorded when purchase orders are issued, but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance in the governmental fund financial statements. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

Accounting Policies - The Light & Power System follows accounting policies for public electric utilities as prescribed by the Federal Energy Regulatory Commission and the Tennessee Valley Authority (TVA).

Cash and Cash Equivalents - The Town considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Inventories - The Water and Light Commission's materials and supplies inventory are valued at the lower of average cost or market. Materials and supplies of the Light & Power System are recorded at average cost. Food and supplies inventories for School Nutrition are carried at cost and are subsequently charged to expenditures when consumed.

Commodities - School Nutrition Fund - Commodities received from the U.S.D.A. are recognized as revenue in the period when all eligibility requirements are met (usually, when the commodities are received).

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Self-Insurance Trust Fund - The Town is self-insured for the purpose of paying medical claims of the Town of Greeneville's General Fund employees and their covered dependents as well as post employment health care benefits, thus minimizing the total cost of annual medical insurance to the Town. Medical claims exceeding \$70,000 per incident are covered through a private insurance carrier. The self-insurance transactions are recorded in the Town's General Fund and not accounted for in a separate fund, with the fund balance reserved for self-insurance at an amount equal to the cash and receivables in funds previously designated as self-insurance funds.

Allowance for Uncollectible Accounts - At June 30, 2011, the allowance for uncollectible taxes in the General Fund was \$89,743, the allowance for uncollectible accounts receivable in the enterprise funds was \$120,520, and the allowance for uncollectible accounts in the Special Revenue Fund, Extended School Program Fund, was \$1,567.

Investments - The Town's investments are reported at market value. Investments of the Light & Power System and the Water and Light Commission are reported at market value.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets - Capital assets are carried at cost. Depreciation is computed using the straight-line method based on estimated useful lives.

Internal Activity - Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Long-term Obligations - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of applicable bond premiums or discounts. Bond issue costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issue costs, as expenditures during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance Items - The Town has implemented GASB Statement 54 employing new terminology and classifications for fund balance items.

Nonspendable items - This category includes funds that can not be spent due to their form (e.g., inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted items - This category includes funds that are mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation.

Committed items - This category includes funds that are set aside for a specific purpose by the Town's highest level of decision making authority (e.g., the Town of Greeneville's Board of Mayor and Aldermen passing an Ordinance). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on funds.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Balance Items - (continued)

Assigned items - This category includes funds that are set aside with the intent to be used for a specific purpose by the Town's highest level of decision making authority or a body or official that has been given authority to assign funds (e.g., the Town of Greeneville's Board of Mayor and Aldermen passing a Resolution). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned items - This category includes excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides all resources necessary to meet unexpected expenditures and revenue shortfalls.

When both restricted and unrestricted fund balances are available for use, it is the Town's policy to use restricted fund balance first, then use unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Date of Management's Review - The Town has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2011 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 14, 2012, the date these financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS

State of Tennessee law authorizes the Town to invest in obligations of the United States or its agencies, non-convertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the state treasurer's local government investment pool. The pool contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of the deposits, less the amount as insured by federal deposit insurance. The collateral must be held by the Town or its agent in the Town's name, or by the Federal Reserve in the Town's name.

The Town does not have a policy for interest rate risk or other credit risk other than pledging of securities for amounts in excess of FDIC coverage. The Town is exposed to concentration of credit risk by placing its deposits in financial institutions. The Town has mitigated the risks because the bank balance in excess of the FDIC limit is collateralized by the State of Tennessee bank collateral pool.

Cash

Town of Greeneville - At June 30, 2011, the Town's bank balances were \$10,165,438 of which \$1,440,270 was covered by federal depository insurance and \$8,725,168 was covered through the banks' participation in the Tennessee Bank Collateral Pool.

Board of Education - The Board of Education's cash accounts represent funds on deposit in a local financial institution. Bank balances at June 30, 2011 totaled \$4,875,622 all of which was covered by federal depository insurance and bank participation in the Tennessee Bank Collateral Pool.

Water and Light Commission - At June 30, 2011, the bank balances were \$7,271,376, all of which was covered by federal depository insurance and bank participation in the Tennessee Bank Collateral Pool.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 2 - CASH AND INVESTMENTS - (Continued)

Light & Power System – At June 30, 2011, the bank balances were \$19,408,627, all of which was covered by federal depository insurance and bank participation in the Tennessee Bank Collateral Pool or through securities held by the System's agent in the System's name. Also, \$19,405,627 of the bank balances were in interest bearing accounts.

A summary of the carrying amount of the Town's deposits follows:

	Unrestricted	Restricted or Designated	Total
Cash and cash equivalents	\$ 31,903,685	\$ 2,482,980	\$34,386,665
Certificates of deposit	2,073,000	950,000	3,023,000
Self-insurance cash and money market	-	1,167,014	1,167,014
	<u>\$ 33,976,685</u>	<u>\$ 4,599,994</u>	<u>\$38,576,679</u>

Investments

Town of Greeneville - The Town invests funds in the State of Tennessee's Local Government Investment Pool and invests funds with an investment advisor. The Town's interest in the Investment Pool is recorded at fair market value. At June 30, 2011, the investment balance was \$8,290. This is included as Investments on the Statement of Net Assets. The total investment with the investment firm is recorded at fair value and is \$182,774 at June 30, 2011 and is listed as Self-Insurance Investment on the Statement of Net Assets.

Water and Light Commission - The Water and Light Commission invests funds in the State of Tennessee's Local Government Investment Pool. The Commission's interest in the Investment Pool is recorded at fair market value. At June 30, 2011, the investment balance in the Investment Pool was \$82,952.

Light & Power System - In January 2003, the System invested \$3,000,000 with TVA in the form of Deferred Electrical Units. This investment will be repaid over 10 years with interest as a credit to the System's monthly power invoice. The System accrues interest at 5.5% that is offset as a power invoice credit each month. The balance of accrued interest at June 30, 2011 was \$112,246. The balance of the amount invested with TVA was \$450,000 at June 30, 2011.

Total investments for all of the Town's funds are as follows:

	Carrying Amount	Market Value
Unrestricted		
Local Government Investment Pool	\$ 91,242	\$ 91,242
TVA Deferred Electrical Units	450,000	450,000
Total Unrestricted	<u>541,242</u>	<u>541,242</u>
Restricted		
Corporate Bonds	156,399	156,399
U.S. Asset and Mortgage Backed Securities	26,375	26,375
Total Restricted	<u>182,774</u>	<u>182,774</u>
Total Investments	<u>\$ 724,016</u>	<u>\$ 724,016</u>

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 2 - CASH AND INVESTMENTS - (Continued)

Investments - (Continued)

The Town's restricted investments maturities by type are as follows:

Investment type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Corporate Bonds	\$ 156,399	\$ -	\$ -	\$ 48,452	\$ 107,947
U.S. Asset and Mortgage Backed Securities	26,375	-	-	-	26,375
Total Restricted Investment	<u>\$ 182,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,452</u>	<u>\$ 134,322</u>

The corporate bonds are callable at various dates during the years 2011 and 2012.

During the year ended June 30, 2011, the total unrealized gain was \$6,711.

The Town's investments had the following credit risk structure as of June 30, 2011:

Investment type	Credit Rating	Fair Value	Percent of Total
Corporate Bonds			
Prudential Financial Inc.	A/Baa2	\$ 24,965	14%
General Motors Acceptance Corp	B+/B1/BB	9,358	5%
General Motors Acceptance Corp	B1/BB	14,129	8%
General Electric Capital Corp	AA+/Aa2	24,692	14%
Bank of America Corp	A-/A3/A	9,849	5%
GTE North Inc	BB/BBB-	23,957	13%
JPMorgan Chase and Co	A/A1/A+	49,449	27%
		<u>156,399</u>	
U.S. Asset and Mortgage Backed Securities			
Federal Natl Mtg Assn Remic		26,375	14%
Total Restricted Investment		<u>\$ 182,774</u>	

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 4,315,852	\$ 9,000	\$ -	\$ 4,324,852
Construction in progress	71,916	427,657	-	499,573
Total assets not being depreciated	<u>4,387,768</u>	<u>436,657</u>	<u>-</u>	<u>4,824,425</u>

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 3 - CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Buildings and improvements	63,291,291	59,859	-	63,351,150
Infrastructure	46,324,604	-	-	46,324,604
Equipment and vehicles	14,431,542	355,768	782,741	14,004,569
Total capital assets being depreciated	124,047,437	415,627	782,741	123,680,323
Less accumulated depreciation for				
Buildings and improvements	(27,188,410)	(1,672,142)	-	(28,860,552)
Infrastructure	(41,269,824)	(162,748)	-	(41,432,572)
Equipment and vehicles	(11,832,425)	(867,157)	755,541	(11,944,041)
Total accumulated depreciation	(80,290,659)	(2,702,047)	755,541	(82,237,165)
Total capital assets being depreciated, net	43,756,778	(2,286,420)	27,200	41,443,158
Governmental activities capital assets, net	<u>\$ 48,144,546</u>	<u>\$ (1,849,763)</u>	<u>\$ 27,200</u>	<u>\$ 46,267,583</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land and land rights	\$ 2,029,056	\$ -	\$ -	\$ 2,029,056
Construction in progress	686,978	3,609,322	(3,733,616)	562,684
Total assets not being depreciated	2,716,034	3,609,322	(3,733,616)	2,591,740
Capital assets being depreciated				
Structures and permanent improvements	34,273,832	225,490	-	34,499,322
Equipment, furnishings, and distribution systems	124,211,013	5,109,953	(827,408)	128,493,558
Total capital assets being depreciated	158,484,845	5,335,443	(827,408)	162,992,880
Less accumulated depreciation for capital assets being depreciated	(68,970,763)	(4,977,607)	881,572	(73,066,798)
Total accumulated depreciation	(68,970,763)	(4,977,607)	881,572	(73,066,798)
Total capital assets being depreciated, net	89,514,082	357,836	54,164	89,926,082
Business-type activities capital assets, net	<u>\$ 92,230,116</u>	<u>\$ 3,967,158</u>	<u>\$ (3,679,452)</u>	<u>\$ 92,517,822</u>

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 3 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to function/program as follows:

Governmental activities	
Education	\$ 1,679,319
General government	419,121
Public safety	186,101
Public works	202,288
Health and welfare	119,837
Community development	<u>68,181</u>
Total governmental activities depreciation expense	<u>\$ 2,674,847</u>
Business-type activities	
Light & Power System	\$ 3,534,181
Water & Light Commission	<u>1,443,425</u>
Total business-type activities depreciation expense	<u>\$ 4,977,606</u>

NOTE 4 - LONG-TERM DEBT

The Town's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental Activities

Long-term debt at June 30, 2011, consisted of the following:

Accrued compensated absences	\$ 522,808
Accrued retirement incentive	167,424
Other post employment benefits	424,929
Capital leases payable	94,258
\$1,620,000 General Obligation Bonds, Series 2002, (Refunding Bonds) due in annual installments of \$65,000 to \$95,000 through December 1, 2014; interest ranges from 4.22% to 4.60%, payable semi-annually.	350,000
\$1,310,000 General Obligation Bonds, Series A, (Airport Improvement Project) due in annual installments of \$55,000 to \$90,000 through September 1, 2023; interest ranges from 2.50% to 5.1%, payable semi-annually.	900,000
General Obligation capital outlay note, series 2000, dated April 21, 2000, due in annual installments of \$18,000 to \$26,000 through April 1, 2012; interest at 5.65%, payable semi-annually.	26,000
Unamortized premium on notes payable related to G.O. Refunding Bonds, series 2009.	190,888
Unamortized premium on notes payable related to G.O. Refunding Bonds, Series 2010.	456,364

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 4 - LONG-TERM DEBT

Governmental Activities (continued)

\$11,475,000 bond issue (G.O. Refunding Bonds, Series 2009). Proceeds to the Town were to pay off bonds issued for school renovation. Interest is due semi-annually. The bond matures on June 1, 2025; interest rate was 3.9% at June 30, 2011.	11,330,000
\$11,120,000 bond issue (G.O. Refunding Bonds, Series 2010A). Proceeds to the Town were used to pay off G.O. Refunding Bonds, Series E-10-A 2009. Interest is due semi-annually. The bond matures on June 30, 2029; interest rate was 2.0% at June 30, 2011.	11,120,000
\$1,430,000 bond issue (G.O. Refunding Bonds, Series 2010B). Proceeds to the Town were used to pay the termination payments due on G.O. Refunding Bonds, Series E-10-A 2009. Interest is due semi-annually. The bond matures on June 30, 2016; interest rate was 2.0% at June 30, 2011.	<u>1,380,000</u>
	26,962,671
Less amounts due within one year	<u>(513,107)</u>
	<u><u>\$ 26,449,564</u></u>

Business-Type Activities

Business-type activities' long-term debt at June 30, 2010 consisted of the following:

Accrued compensated absences	\$ 679,593
Amounts due for easements purchased	38,375
Other post employment benefits	3,172,296
Advances under the Tennessee Valley Authority home insulation program providing for interest-free or low-interest loans to customers; repayable to a financial institution from customer repayments to the Light & Power System.	<u>2,002,705</u>
	<u><u>\$ 5,892,969</u></u>

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 4 - LONG-TERM DEBT - (Continued)

The following is a schedule of changes in long-term debt for the year ended June 30, 2011.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and notes payable					
General obligation bonds	\$ 430,000	\$ -	\$ (80,000)	\$ 350,000	\$ 80,000
General obligation bonds - Airport	950,000	-	(50,000)	900,000	55,000
Premium on notes payable	204,605	468,623	(25,976)	647,252	-
Capital outlay note	22,785,000	12,550,000	(11,505,000)	23,830,000	290,000
Capital outlay note - Airport	50,000	-	(24,000)	26,000	26,000
Total bonds and notes payable	<u>24,419,605</u>	<u>13,018,623</u>	<u>(11,684,976)</u>	<u>25,753,252</u>	<u>451,000</u>
Other liabilities					
Capital leases	175,195	-	(80,937)	94,258	62,107
Other post employment benefits	424,929	-	-	424,929	-
Compensated absences	542,117	-	(19,309)	522,808	-
Retirement incentive	<u>151,345</u>	<u>132,976</u>	<u>(116,897)</u>	<u>167,424</u>	<u>-</u>
Total other liabilities	<u>1,293,586</u>	<u>132,976</u>	<u>(217,143)</u>	<u>1,209,419</u>	<u>62,107</u>
Governmental activities l-t liabilities	<u>\$ 25,713,191</u>	<u>\$ 13,151,599</u>	<u>\$ (11,902,119)</u>	<u>\$ 26,962,671</u>	<u>\$ 513,107</u>
Business-type Activities					
TVA home insulation program	\$ 1,615,656	\$ 387,049	\$ -	\$ 2,002,705	\$ -
Other post employment benefits	2,088,162	1,084,134	-	3,172,296	-
Compensated absences	671,911	7,682	-	679,593	-
Due for easements	<u>39,175</u>	<u>-</u>	<u>-</u>	<u>38,375</u>	<u>-</u>
Business-type activities l-t liabilities	<u>\$ 4,414,904</u>	<u>\$ 1,478,865</u>	<u>\$ -</u>	<u>\$ 5,892,969</u>	<u>\$ -</u>

Payments on the bonds and notes payable are made by the general fund. The compensated absences liability is attributable to, and will be paid from the general fund and the general purpose school fund. The capital leases and retirement incentive will be paid by the general purpose school fund.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 4 - LONG-TERM DEBT - (Continued)

Governmental activities future maturities of long-term debt at June 30, 2011 are as follows:

Year Ended June 30	General Obligation Bonds		Capital Outlay Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	135,000	55,231	316,000	847,795	451,000	903,026
2013	140,000	49,236	365,000	839,975	505,000	889,211
2014	145,000	42,929	400,000	832,100	545,000	875,029
2015	155,000	36,206	440,000	823,200	595,000	859,406
2016	60,000	31,388	1,235,000	813,200	1,295,000	844,588
2017-2021	360,000	110,054	7,280,000	3,508,439	7,640,000	3,618,493
2022-2026	255,000	19,978	8,795,000	2,031,688	9,050,000	2,051,666
2027-2029	-	-	5,025,000	405,000	5,025,000	405,000
Total	<u>\$ 1,250,000</u>	<u>\$ 345,022</u>	<u>\$23,856,000</u>	<u>\$ 10,101,397</u>	<u>\$ 25,106,000</u>	<u>\$ 10,446,419</u>

The Board of Education entered into lease agreements for equipment. The future minimum lease obligations as of June 30, 2011 are as follows:

Year Ended June 30	Capital Leases	
	Principal	Interest
2012	62,107	3,702
2013	32,151	754
	<u>\$ 94,258</u>	<u>\$ 4,456</u>

NOTE 5 - PENSION PLAN FUNDS

Board of Education

Plan Description

The Greeneville City Schools contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 5 - PENSION PLAN FUNDS - (Continued)

Board of Education (continued)

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/Schools

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Greeneville City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2011 was 9.05% of annual covered payroll. The employer contribution requirement for Greeneville City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2011, 2010, and 2009, were \$1,115,403 \$793,358, and \$772,298 respectively, equal to the required contributions for each year.

Town of Greeneville and Water and Light Commission

Plan Description

Employees of the Town of Greeneville and Water and Light Commission are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at age 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. . Benefit provisions are established and amended by state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Town of Greeneville participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/PS/.

Funding Policy

The Town of Greeneville and Water and Light Commission has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The Town of Greeneville and Water and Light Commission is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 15.09% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Town of Greeneville is established and may be amended by the TCRS Board of Trustees.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 5 - PENSION PLAN FUNDS - (Continued)

Town of Greeneville and Water and Light Commission - (Continued)

Annual Pension Cost

For the year ending June 30, 2011, the Town of Greeneville and Water and Light Commission's annual pension costs of \$1,858,886 to TCRS was equal to the Town's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries) (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The Town of Greeneville's unfunded actuarial accrued liabilities is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 20 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 1,858,886	100%	\$0.00
June 30, 2010	\$ 2,022,896	100%	\$0.00
June 30, 2009	\$ 2,039,070	100%	\$0.00

Funding Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 84.45% percent funded. The actuarial accrued liability for benefits was \$55.0 million, and the actuarial value of assets was \$46.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12.1 million, and the ratio of the UAAL to the covered payroll was 70.40% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 5 - PENSION PLAN FUNDS - (Continued)

Greeneville Light and Power System

Plan Description

Employees of the Greeneville Light & Power System are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Greeneville Light & Power System participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

Greeneville Light & Power System has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Greeneville Light & Power System is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011 and 2010 was 13.59% and 10.86%, respectively, of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Greeneville Light & Power System is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the years ending June 30, 2011 and 2010, Greeneville Light & Power System's annual pension costs of \$748,408 and \$519,752, respectively, to TCRS were equal to the System's required and actual contributions. The required contributions were determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0% percent annual rate of inflation, (c) projected salary increases of 4.75 % (graded) annual rate (no explicit assumption is made regarding the portion attributable to effects of inflation on salaries), and (d) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Greeneville Light & Power System's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 20 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 5 - PENSION PLAN FUNDS - (Continued)

Greeneville Light and Power System (Continued)

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 748,408	100%	\$0.00
June 30, 2010	\$ 519,752	100%	\$0.00
June 30, 2009	\$ 514,530	100%	\$0.00

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 76.33% funded. The actuarial accrued liability for benefits was \$15.4 million, and the actuarial value of assets was \$11.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.7 million, and the ratio of the UAAL to the covered payroll was 78.42%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

NOTE 6 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

Board of Education

Plan Description

The Greeneville City Schools participates in the state-administered Teacher Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-302. In previous fiscal years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 20, 2010 the insurance plan structure was changed and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 6 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - (Continued)

Board of Education - (Continued)

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The required contribution rate of plan members is:

ARC	\$ 404
Interest on the NPO	11
Adjustment to the ARC	<u>(11)</u>
Annual OPEB cost	404
Amount of contribution	<u>(404)</u>
Increase / Decrease in NPO	-
Net OPEB obligation - beginning of year	<u>406</u>
Net OPEB obligation - end of year	<u><u>\$ 406</u></u>

Year End*	Plan	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6/30/2009	Teacher Group	\$ 415	2.2%	\$ 406
6/30/2010	Teacher Group	\$ 402	100.0%	\$ 406
6/30/2011	Teacher Group	\$ 404	100.0%	\$ 406

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010 was as follows (dollars in thousands):

	<u>Teacher Group Plan</u>
	7/1/2010
Actuarial accrued liability (AAL)	\$ 2,003
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 2,003
Actuarial Value of Assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 14,564
UAAL as a percentage of covered payroll	13.8%

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 6 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - (Continued)

Board of Education - (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2010, actuarial valuation for the Local Education plan, the Projected Unit Credit actuarial cost method was used and the actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10% for the fiscal year 2011. The trend will decrease to 9.5% in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of 5% by fiscal year 2021. The rates include a 3% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 20, 2008.

Town of Greeneville and Water and Light Commission

A Brief description of the retiree medical insurance plans:

- | | |
|-------------------------|--|
| a) Plan types | Medical insurance through Blue Cross Blue Shield of Tennessee |
| b) Eligibility | In order to retire, employees must have
-30 years of service or
-55 years of age and 5 years of service
All benefits cease when employee is Medicare eligible |
| c) Benefit/cost sharing | Employer pays \$1,200 per year until Medicare eligible |
| d) Spouse benefit | Yes, until Medicare eligible or retiree is Medicare eligible. Spouse pays \$1,200 per year |
| e) Surviving Spouse | Yes, until Medicare eligible. Surviving spouse pays \$1,200 per year. |
| f) Annual premiums | Effective 7/1/10 – 6/30/11 |

Plan	
Individual	\$ 5,580
Family	\$16,102

Annual OPEB cost and net OPEB obligation

The Town's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's OPEB obligation.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 6 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - (Continued)

Town of Greeneville and Water and Light Commission - (Continued)

Annual OPEB cost and net OPEB obligation - (Continued)

ARC	\$ 368
Interest on the NPO	1
Adjustment to the ARC	(1)
Annual OPEB cost	368
Amount of contribution	(360)
Increase / Decrease in NPO	8
Net OPEB obligation - beginning of year	19
Net OPEB obligation - end of year	<u>\$ 27</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years 2009, 2010, and 2011 are as follows:

Year End*	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End	Covered Payroll	OPEB Cost % of Pay
6/30/2009	\$ 533,273	93.2%	\$ 36,500	\$ 7,086,039	7.5%
6/30/2010	\$ 546,977	103.2%	\$ 18,929	\$ 7,263,190	7.5%
6/30/2011	\$ 367,396	97.9%	\$ 26,725	\$ 6,265,061	5.9%

*Additional years will be reported as the data becomes available.

The funded status and funding progress of the plan as of July 1, 2010 was as follows:

	7/1/2010
Actuarial accrued liability (AAL)	\$ 4,141
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 4,141
Actuarial Value of Assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 6,265
UAAL as a percentage of covered payroll	66.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 6 - POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - (Continued)

Town of Greeneville and Water and Light Commission - (Continued)

Actuarial methods and assumptions

The valuation assumed a funding interest rate of 4%; a medical trend rate of 9%; an Entry Age actuarial cost method; an annual payroll growth rate of 2.5%; and remaining amortization period of 30 years at June 30, 2011.

Light and Power System

The Governmental Accounting Standards Board (GASB) established new standards for the measurement, recognition, and reporting of other post-employment benefits (OPEB). OPEB includes post-employment benefits other than pension, which, for the System, is presently limited to post-employment health care for employees who began their employment prior to January 1, 2009 and who retire under the criteria established by the state retirement system described in Note 5. GASB requires the recognition of the accrued OPEB liability for the respective year, plus the disclosure of the unfunded liability. The System pays the costs of the plan as expenses are actually incurred. This was effective for the System for the fiscal year beginning July 1, 2008.

During 2008, the System had an actuarial study performed to determine the Systems actuarial accrued liability for post-employment health care benefits. The present value of the unfunded actuarial accrued OPEB liability was approximately \$18.8 million as of the actuarial valuation date, February 1, 2008.

The valuation assumed a funding interest rate of 4%; a medical trend rate of 10%; an ultimate trend rate of 5%; that the ultimate trend rate will be reached in 2012; an Entry Age Normal actuarial cost method; annual payroll growth rate of 2.5%; and a remaining amortization period of 29 years at June 30, 2008.

Currently, 31 retirees meet eligibility requirements. The System pays the cost of health care coverage for pre-Medicare retirees and their dependents. The System also pays the premium for Medicare supplemental coverage for each retiree eligible for Medicare. The System recognizes its share of the cost of health care expenses as claims are paid. During the years ended June 30, 2011 and June 30, 2010, expenditures of \$293,952 and \$244,616 were incurred for postretirement health care. Current year cost of approximately \$1.4 million includes a net OPEB obligation liability of approximately \$3.2 million at June 30, 2011.

The annual required contribution that will be reported in the next fiscal year is estimated to be \$1.7 million, which includes the normal cost of the plan and the amortization over thirty years of any unfunded actuarial liability.

NOTE 7 - SPECIAL TERMINATION BENEFITS

The Board of Education offers an Early Retirement Incentive Program in accordance with Tennessee Code Annotated 49-2-203(b)(9). All state certified teaching personnel who have completed 15 years of employment with the Greeneville City Schools Systems and who meet the retirement eligibility requirements for full benefits under TCRS, are eligible to participate in the Early Retirement Incentive Program. The benefits to be received by the participants are as follows:

- (a) An employee who chooses to participate in the Early Retirement Incentive Program the first year of eligibility shall receive an annual amount equal to 20% of his/her annual base salary.
- (b) Benefits shall begin in July following retirement and shall be paid annually or biannually at the election of the recipient for three (3) years from the date of retirement or through, and including the month the recipient attains age sixty-two (62), whichever occurs first. Beginning with retirees during or after the 2008-2009 school year, the stipulation that retirement incentive benefits stop upon attainment of age sixty-two (62) has been removed.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 7 - SPECIAL TERMINATION BENEFITS (Continued)

- (c) Any applicant with thirty (30) years or more of credited service, as defined by TCRS, or any applicant who has less than thirty (30) years of credited service, as defined by TCRS, but who has attained age sixty (60) by the end of the fiscal school year (June 30) and who fails to make timely application for the total benefits provided by the program, shall be deemed to have waived the right to claim total benefits. Benefits in the program will then be determined in the following manner:
 - a. Second year eligibility participation: 15% of the most recent annual contractual salary (to be paid in two (2) years)
 - b. Third year eligibility participation: 10% of the most recent annual contractual salary (to be paid in one (1) year)
- (d) Benefits provided by the Program may not be assigned or transferred in any manner. Program benefits shall automatically cease at the death of the participant and shall not pass on to the estate or beneficiary of the participant.

The benefits expensed during the year were \$116,898. At June 30, 2011, the Board had an estimated liability of \$167,424 future benefits of current participants, assuming all participants live until eligibility expires.

NOTE 8 - PREPAID POWER

The System has an agreement with TVA by which the System maintains an interest-earning prepaid power account for its purchases of electricity. At June 30, 2011 and 2010, the System had deposits with TVA totaling \$7,604 and \$28,797, and had a liability for purchased power equaling \$7,070,320 and \$6,099,310. The account yielded an interest rate of .006% and .141% at June 30, 2011 and 2010.

NOTE 9 - CONDUIT DEBT OBLIGATIONS

From time to time, the Town has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Town, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

NOTE 10 - UNBILLED REVENUE

During the year ended June 30, 2011, TVA began to charge the Greeneville Light and Power System at month end for power usage. To better reflect the System's income, the System determined that it would begin to recognize unbilled revenue. Previously, the System had not accrued unbilled revenues and power costs. The System retroactively applied the change in unbilled revenue effective July 1, 2009. The net effect of this change increased beginning fund balance by \$841,173 and \$721,802 for the years ended June 30, 2011 and 2010, respectively.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Pending Litigation

- (1) The Town is the defendant in lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 11 - COMMITMENTS AND CONTINGENCIES (Continued)

- (2) The Commission is also involved in certain litigation, but does not believe that there could be a significant impact on its financial position as a result of the litigation. No provision for loss has been included in the financial statements.

Commitments and Contingencies

- (1) The Town and Greene County operate the Greeneville-Greene County Landfill (the Landfill) as a joint venture. The operations of the Landfill are accounted for in an enterprise fund and a separate report has been issued as of and for the year ended June 30, 2011. The Landfill's financial statements reflect a liability for future closure and postclosure care costs of \$1,414,664. The Town will be responsible for one half of any closure and postclosure costs for which the Landfill does not have adequate funds.
- (2) The Greeneville Light and Power System Board has allocated \$870,000 of its reserves to advance as needed to the Industrial Park Agency, the Town of Greeneville/Greene County Board which is developing Phase II of the Mt. Pleasant Industrial Park and Hardin Industrial Complex. The funds are to be repaid without interest to the System as developed property is sold or as development expenses are recovered through grant proceeds received by the Agency. As of June 30, 2011 and 2010, \$618,179 of the allocation had been expended but not reimbursed, and represents a receivable due from the Industrial Park Agency.

During 2011, a series of tornadoes caused significant damage to the Greeneville Light and Power System's plant. The total cost of the storm damage was approximately \$1 million. The System hopes to receive reimbursements of up to approximately 75% of the costs of the damage from the Federal Emergency Management Agency and then 12.5% of the costs from the Tennessee Emergency Management Agency. A receivable has not been recorded by management, as reimbursement is not certain.

In November 2010, the Greeneville Light and Power System, through an arbitration process, reached a settlement agreement with CenturyLink regarding disputed pole attachment fee rates. Because of the dispute, CenturyLink had withheld payment of the fees until the settlement was reached, and the exact amount due was known. GLPS received a settlement payment in November, 2010 of approximately \$670,000.

- (3) The Town has funded up to \$22,000,000 for school improvements. Of this \$22,000,000, the Board of Education must repay \$2,000,000 for improvements to Eastview Elementary School and Tusculum View Elementary School in fifteen annual installments, including interest, from Basic Education Program (BEP) non-classroom funds. The note matures June 1, 2014, and the interest rates range from 3.5% to 4.85%. The amount paid to the Town for June 30, 2011 was \$186,540. The principal balance the Board owes the Town for the two elementary schools at June 30, 2011 was \$510,000.

Also, the Town of Greeneville has committed to fund up to \$1.8 million for school improvements to Greeneville Middle School. The Board of Education must repay these funds from the Basic Education Program (BEP) non-classroom funds. The note matures on June 1, 2025, and the interest rate is 6.0%. The amount paid to the Town for June 30, 2011 was \$145,200. The principal balance the Board owes the Town for Greeneville Middle School at June 30, 2011 was \$1,420,000.

To assist the Town of Greeneville for the construction of Greeneville High School, the Board of Education agreed to pay the Town, on an annual basis, the quarter cent sales tax money the Board of Education receives. This amount was \$190,487 for the year ended June 30, 2011. This payment will be made each year until fiscal year ended 2025.

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 12 - FUND BALANCES

Amounts for specific purposes by fund and fund balance classifications for the year ended June 30, 2011, are as follows:

	General Fund	General Purpose School Fund	Other Governmental Funds	Total
<u>Fund Balance Classifications</u>				
Nonspendable				
School Nutrition Food Inventory	\$ -	\$ -	\$ 123,334	\$ 123,334
Prepaid Insurance	89,992	-	-	89,992
Total Nonspendable	89,992	-	123,334	213,326
Restricted				
School Nutrition	-	-	472,713	472,713
Police SOF	3,986	-	-	3,986
State Street Aid	-	-	2,105,735	2,105,735
Total Restricted	3,986	-	2,578,448	2,582,434
Committed				
Litigation fees	110,491	-	-	110,491
Community Development	-	-	179,606	179,606
Total Committed	110,491	-	179,606	290,097
Assigned				
Extended School Program	-	-	7,494	7,494
Capital Projects	-	-	6	6
Instruction	-	62,697	-	62,697
Education	-	14,727	-	14,727
Municipal Solid Waste	-	-	60,736	60,736
Parking Fund	-	-	141,177	141,177
Self-insurance fund	2,299,788	-	-	2,299,788
Housing Authority Bonds	535,459	-	-	535,459
Special Events	8,550	-	-	8,550
Board of Education	-	3,204,561	-	3,204,561
Subsequent year's budget	-	285,773	-	285,773
Total Assigned	2,843,797	3,567,758	209,413	6,620,968
Unassigned	5,771,283	-	-	5,771,283
 Total Fund Balance	 \$ 8,819,549	 \$ 3,567,758	 \$ 3,090,801	 \$ 15,478,108

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 13 - RISK MANAGEMENT

The Town, Board of Education, Light & Power System, and Water and Light Commission are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risks of loss are covered by commercial insurance as indicated in the Schedules of Insurance Coverage as listed in the table of contents. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

In addition the Town provides medical insurance to employees as well as post employment health care benefits through a partially self-funded health insurance plan and maintains a self-insurance reserve of fund balance as described in Note 1. Participants in the plan pay premiums as determined by the Town to offset a portion of the cost of the plan. The Town pays 80 percent of the claims up to \$1,000 and 100 percent of the amount exceeding \$1,000, with a deductible of \$200 per individual. For the year ended June 30, 2011, total claims incurred were \$1,471,889 and claims paid were \$1,748,522. The total paid during the year ending June 30, 2011 included payment for claims incurred in previous years.

NOTE 14 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Light & Power System and Water and Light Commission to concentrations of credit risk consist primarily of customer accounts receivable. Account monitoring procedures are utilized to minimize the risk of loss. Management does not believe significant credit risk exists at June 30, 2011.

The Town's investments in corporate bonds expose the General Fund of the Town to risks due to the volatility of the stock market.

NOTE 15 - POWER CONTRACT

The Light & Power System has a power contract with TVA whereby the System purchases most of its electric power from TVA and is subject to certain restrictions and conditions as provided in the contract. The System has a supplemental agreement with TVA that allows the System to purchase up to 5% of its power from other sources.

NOTE 16 - RELATED PARTY TRANSACTIONS

The Board of Education acts as the fiscal agent for the Greeneville-Greene County Center for Technology. The Center for Technology is a related party as a result of shared directors from the city and county school boards. In this role, the Board of Education received money during the year for the Center for Technology from the following sources:

The money was deposited into the operating bank account of the Board of Education. A new account was opened in January 2010 in the Center's name. The Board of Education is still responsible for the new account. Greeneville/Greene County Center for Technology general fund expenditures totaling \$1,649,535 were paid out of these accounts during the year.

State of Tennessee and federal funds (includes \$214,199 in federal funds from Greene County Board of Education)	\$ 768,411
Greene County	472,956
Greene County Board of Education	243,841
Greeneville Board of Education	67,723
Other	<u>98,031</u>
	<u>\$ 1,650,962</u>

TOWN OF GREENEVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 17 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the Town of Greeneville, Tennessee General Fund increasing fund balance in the amount of \$80,480. This includes \$80,480 of expenditures that were recorded in the Community Development Fund in the prior year that should have been classified and recorded in the General Fund.

NOTE 18 - SUBSEQUENT EVENTS

During 2010, the Water and Light Commission and, subsequently, the Mayor of Board and Aldermen of the Town of Greeneville approved increases in the water and sewer rates. Water rates increased 6% in January 2011, and will increase another 3% in January 2012 and 2013. Sewer rates increased 12% in January 2011, and will increase a further 12% in January 2012.

During 2011, the Water and Light Commission entered into a \$4.9 million revolving loan agreement with the State of Tennessee to provide financing for the construction of wastewater collection lines. Subsequent to year end, the Commission decided that, due to the high cost of construction of the project, they would not be moving forward with the project at this time. The State was also notified that the funds would not be needed for the project.

Also, subsequent to year end, the Water and Light Commission received approval for a Community Development Block grant of approximately \$500,000, which would provide funding for the construction of wastewater facility improvements. Construction of the facilities, expected to cost approximately \$650,000, has not yet commenced.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Retirement Plan Funding Progress (Unaudited)
Year Ended June 30, 2011

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b) - (a)	(a/b)	(c)	
<u>Town of Greeneville</u>						
July 1, 2009	\$ 46,436	\$ 54,985	\$ 8,549	84.45%	\$ 12,143	70.40%
July 1, 2007	\$ 45,245	\$ 51,545	\$ 6,300	87.78%	\$ 11,778	53.49%
<u>Light & Power System</u>						
07/31/09	\$ 11,788	\$ 15,444	\$ 3,656	76.33%	\$ 4,662	78.42%
07/31/07	\$ 11,805	\$ 13,797	\$ 1,992	85.56%	\$ 4,418	45.09%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Other Post Employment Benefits Funding Progress (Unaudited)
Year Ended June 30, 2011

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
(Dollar amounts in thousands)						
Town of Greeneville						
July 1, 2010	\$ -	\$ 4,141	\$ 4,141	0%	\$ 6,265	66.10%
July 1, 2008	\$ -	\$ 6,666	\$ 6,666	0%	\$ 7,086	94.10%
Board of Education						
July 30, 2010	\$ -	\$ 2,003	\$ 2,003	0%	\$ 14,564	12.65%
July 31, 2009	\$ -	\$ 1,977	\$ 1,977	0%	\$ 14,645	13.50%
July 31, 2007	\$ -	\$ 1,805	\$ 1,805	0%	\$ 14,267	12.65%
Greeneville Light and Power System						
February 1, 2008	\$ -	\$ 18,812	\$ 18,812	0%	\$ 4,300	438%

COMBINING STATEMENTS

TOWN OF GREENEVILLE, TENNESSEE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Federal Projects Fund	School Nutrition Fund	Extended School Program	State Street Aid Fund	Community Development Fund	Municipal Solid Waste Fund	Parking Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS									
Cash and cash equivalents	\$ -	\$ 472,994	\$ 3,344	\$ 2,236,901	\$ 122,704	\$ (19,509)	\$ 143,260	\$ 6	\$ 2,959,700
Due from other governmental units	77,936	-	-	71,837	57,146	-	-	-	206,919
Accounts receivable	-	54	4,150	-	-	97,855	-	-	102,059
Inventory	-	123,334	-	-	-	-	-	-	123,334
Investments	-	-	-	8,290	-	-	-	-	8,290
Total assets	<u>\$ 77,936</u>	<u>\$ 596,382</u>	<u>\$ 7,494</u>	<u>\$ 2,317,028</u>	<u>\$ 179,850</u>	<u>\$ 78,346</u>	<u>\$ 143,260</u>	<u>\$ 6</u>	<u>\$ 3,400,302</u>
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ 211,293	\$ 244	\$ 6,365	\$ 1,091	\$ -	\$ 218,993
Accrued liabilities	-	-	-	-	-	11,245	992	-	12,237
Due to other funds	77,936	335	-	-	-	-	-	-	78,271
Total liabilities	<u>77,936</u>	<u>335</u>	<u>-</u>	<u>211,293</u>	<u>244</u>	<u>17,610</u>	<u>2,083</u>	<u>-</u>	<u>309,501</u>
Fund balances									
Nonspendable	-	123,334	-	-	-	-	-	-	123,334
Restricted	-	472,713	-	2,105,735	-	-	-	-	2,578,448
Committed	-	-	-	-	179,606	-	-	-	179,606
Assigned	-	-	7,494	-	-	60,736	141,177	6	209,413
Total fund balances	<u>-</u>	<u>596,047</u>	<u>7,494</u>	<u>2,105,735</u>	<u>179,606</u>	<u>60,736</u>	<u>141,177</u>	<u>6</u>	<u>3,090,801</u>
	<u>\$ 77,936</u>	<u>\$ 596,382</u>	<u>\$ 7,494</u>	<u>\$ 2,317,028</u>	<u>\$ 179,850</u>	<u>\$ 78,346</u>	<u>\$ 143,260</u>	<u>\$ 6</u>	<u>\$ 3,400,302</u>

See accompanying independent auditors' report.

TOWN OF GREENEVILLE, TENNESSEE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2011

	Federal Projects Fund	School Nutrition Fund	Extended School Program	State Street Aid Fund	Community Development Fund	Municipal Solid Waste Fund	Parking Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues									
Intergovernmental revenues	\$ 2,722,724	\$ 852,100	\$ 7,381	\$ 240,006	\$ 81,813	\$ 414,612	\$ -	\$ -	\$ 4,318,636
Food service	-	531,813	-	-	-	-	-	-	531,813
Other revenues	-	15,658	22	-	-	-	-	-	15,680
Charges for service	-	-	111,472	-	-	1,010,639	60,741	-	1,182,852
Interest income	-	459	11	190	-	-	-	-	660
Total revenues	<u>2,722,724</u>	<u>1,400,030</u>	<u>118,886</u>	<u>240,196</u>	<u>81,813</u>	<u>1,425,251</u>	<u>60,741</u>	<u>-</u>	<u>6,049,641</u>
Expenditures									
Education	2,722,724	-	100,285	-	-	-	-	-	2,823,009
Public works	-	-	-	652,778	-	1,375,872	74,079	-	2,102,729
Food service	-	1,370,932	-	-	-	-	-	-	1,370,932
Community development	-	-	-	-	80,564	-	-	-	80,564
Total expenditures	<u>2,722,724</u>	<u>1,370,932</u>	<u>100,285</u>	<u>652,778</u>	<u>80,564</u>	<u>1,375,872</u>	<u>74,079</u>	<u>-</u>	<u>6,377,234</u>
Excess of revenues over (under) expenditures	-	29,098	18,601	(412,582)	1,249	49,379	(13,338)	-	(327,593)
Other financing sources (uses)									
Operating transfers in	-	-	-	414,612	-	-	-	-	414,612
Operating transfers out	-	-	-	-	(163,412)	-	-	-	(163,412)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>414,612</u>	<u>(163,412)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,200</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	-	29,098	18,601	2,030	(162,163)	49,379	(13,338)	-	(76,393)
Fund balances, July 1, 2010, restated	-	566,949	(11,107)	2,103,705	341,769	11,357	154,515	6	3,167,194
Fund balances, June 30, 2011	<u>\$ -</u>	<u>\$ 596,047</u>	<u>\$ 7,494</u>	<u>\$ 2,105,735</u>	<u>\$ 179,606</u>	<u>\$ 60,736</u>	<u>\$ 141,177</u>	<u>\$ 6</u>	<u>\$ 3,090,801</u>

See accompanying independent auditors' report.

INDIVIDUAL FUND FINANCIAL STATEMENTS

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Federal Projects
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues				
Federal government	\$ 2,474,074	\$ 2,474,074	\$ 2,722,724	\$ 248,650
Total revenues	<u>2,474,074</u>	<u>2,474,074</u>	<u>2,722,724</u>	<u>248,650</u>
Expenditures				
Regular instruction				
Salaries	1,426,144	1,426,144	1,569,924	(143,780)
Employee benefits	385,790	385,709	425,602	(39,893)
Contracted services	202,809	202,809	192,226	10,583
Materials and supplies	109,273	109,273	84,587	24,686
Staff development	82,287	82,287	104,869	(22,582)
Equipment	153,264	153,264	179,520	(26,256)
Other	<u>114,507</u>	<u>114,588</u>	<u>165,996</u>	<u>(51,408)</u>
Total expenditures	<u>2,474,074</u>	<u>2,474,074</u>	<u>2,722,724</u>	<u>(248,650)</u>
Excess (deficit) of revenues over (under) expenditures	-	-	-	-
Fund balance, July 1, 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
School Nutrition Program
Year Ended June 30, 2011

	Budgeted Amounts			Variance -
	Original	Final	Actual	with Final Budget
Revenues				
Federal government	\$ 705,000	\$ 705,000	\$ 839,525	\$ 134,525
State of Tennessee	13,000	13,000	12,575	(425)
Charges for services	590,000	590,000	531,813	(58,187)
Investment income	300	300	459	159
Other local revenue	4,000	4,000	15,658	11,658
Total revenues	1,312,300	1,312,300	1,400,030	87,730
Expenditures				
Salaries	458,267	458,267	443,603	14,664
Employee benefits	188,148	188,148	181,011	7,137
Food service	525,000	525,000	594,988	(69,988)
Contracted services	27,000	27,000	25,592	1,408
Equipment	26,885	26,885	38,488	(11,603)
Supplies	57,500	57,500	49,493	8,007
Travel	1,500	1,500	509	991
Other	28,000	28,000	37,248	(9,248)
Total expenditures	1,312,300	1,312,300	1,370,932	(58,632)
Excess (deficit) of revenues over (under) expenditures	-	-	29,098	29,098
Fund balance, July 1, 2010	566,949	566,949	566,949	-
Fund balance, June 30, 2011	<u>\$ 566,949</u>	<u>\$ 566,949</u>	<u>\$ 596,047</u>	<u>\$ 29,098</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Extended School Program
Year Ended June 30, 2011

	Budgeted Amounts			Variance -
	Original	Final	Actual	with Final Budget
Revenues				
Federal government	\$ 2,500	\$ 2,500	\$ 7,381	\$ 4,881
Charges for services	129,860	129,860	111,472	(18,388)
Investment income	10	10	11	1
Other revenues	<u>-</u>	<u>-</u>	<u>22</u>	<u>22</u>
Total revenues	<u>132,370</u>	<u>132,370</u>	<u>118,886</u>	<u>(13,484)</u>
Expenditures				
Salaries	88,330	88,330	67,537	20,793
Employee benefits	14,788	14,788	13,085	1,703
Food service	5,500	5,500	6,607	(1,107)
Supplies	19,252	19,252	2,578	16,674
Bad debts	-	-	2,047	(2,047)
Travel	500	500	33	467
Other	<u>4,000</u>	<u>4,000</u>	<u>8,398</u>	<u>(4,398)</u>
Total expenditures	<u>132,370</u>	<u>132,370</u>	<u>100,285</u>	<u>32,085</u>
Excess (deficit) of revenues over (under) expenditures	-	-	18,601	18,601
Fund balance, July 1, 2010	<u>(11,107)</u>	<u>(11,107)</u>	<u>(11,107)</u>	<u>-</u>
Fund balance, June 30, 2011	<u>\$ (11,107)</u>	<u>\$ (11,107)</u>	<u>\$ 7,494</u>	<u>\$ 18,601</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
State Street Aid
Year Ended June 30, 2011

	Budgeted Amounts			Variance -
	Original	Final	Actual	with Final Budget
Revenues				
State of Tennessee - gasoline tax	\$ 400,000	\$ 400,000	\$ 240,006	\$ (159,994)
Investment income	<u>-</u>	<u>-</u>	<u>190</u>	<u>190</u>
Total revenues	<u>400,000</u>	<u>400,000</u>	<u>240,196</u>	<u>(159,804)</u>
Expenditures				
Street repairs and maintenance - contracts	<u>400,000</u>	<u>400,000</u>	<u>652,778</u>	<u>(252,778)</u>
Excess of revenues over expenditures	-	-	(412,582)	(412,582)
Fund balance, July 1, 2010	<u>2,103,705</u>	<u>2,103,705</u>	<u>2,103,705</u>	<u>-</u>
Fund balance, June 30, 2011	<u>\$ 2,103,705</u>	<u>\$ 2,103,705</u>	<u>\$ 1,691,123</u>	<u>\$ (412,582)</u>

TOWN OF GREENEVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Municipal Solid Waste
Year Ended June 30, 2011

	Budgeted Amounts			Variance -
	Original	Final	Actual	with Final Budget
Revenues				
Garbage fees	\$ 660,000	\$ 660,000	\$ 723,486	\$ 63,486
Pull/rental charges	230,000	230,000	243,437	13,437
Toter/container sales	15,000	15,000	11,613	(3,387)
Miscellaneous revenues	<u>300</u>	<u>300</u>	<u>32,103</u>	<u>31,803</u>
Total revenues	<u>905,300</u>	<u>905,300</u>	<u>1,010,639</u>	<u>105,339</u>
Expenditures				
Salaries	345,901	345,901	358,661	(12,760)
Fringe benefits	225,711	225,711	208,553	17,158
Contracts	525,000	525,000	497,917	27,083
Operation of motor vehicles	200,000	200,000	259,034	(59,034)
Equipment	-	-	2,788	(2,788)
Supplies and other	<u>23,300</u>	<u>23,300</u>	<u>48,919</u>	<u>(25,619)</u>
Total expenditures	<u>1,319,912</u>	<u>1,319,912</u>	<u>1,375,872</u>	<u>(55,960)</u>
Excess of expenditures over revenues	(414,612)	(414,612)	(365,233)	49,379
Other financing sources				
Operating transfer from general fund	<u>414,612</u>	<u>414,612</u>	<u>414,612</u>	<u>-</u>
Excess of revenues over expenditures and other financing sources	-	-	49,379	49,379
Fund balance, July 1, 2010	<u>11,357</u>	<u>11,357</u>	<u>11,357</u>	<u>-</u>
Fund balance, June 30, 2011	<u>\$ 11,357</u>	<u>\$ 11,357</u>	<u>\$ 60,736</u>	<u>\$ 49,379</u>

SUPPLEMENTARY INFORMATION

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Pass-through Grantor/ Program Title	Federal CFDA Number	(Accrued) Deferred July 1, 2010	Cash Receipts	Expenditures	(Accrued) Deferred June 30, 2011
Board of Education					
United States Department of Health and Human Services Grants Passed Through Tennessee Department of Education					
Head Start	93.600	\$ -	\$ 78,796	\$ (78,796)	\$ -
Emergency Contingency Fund for Temporary Assistance for Needy Families ARRA	93.558	-	17,693	(17,693)	-
		-	96,489	(96,489)	-
United States Department of Health and Human Services Grant Passed Through Upper East Tennessee Human Development Agency					
Child Care Assistance	93.575	-	958	(5,781)	(4,823)
United States Department of Agriculture Grants					
Child Care Food	10.558	-	162,278	(162,278)	-
Team Nutrition Training	10.574	-	9,359	(9,359)	-
School Breakfast Program	10.553	-	142,513	(142,513)	-
National School Lunch Program	10.555	-	458,567	(458,567)	-
		-	772,717	(772,717)	-
United States Department of Education Grants Passed Through Tennessee Department of Education					
Adult Basic Education	84.002	(12,563)	193,517	(224,434)	(43,480)
NCLB, Title I	84.010	(70,513)	1,157,544	(1,097,817)	(10,786)
Title I, Part A ARRA	84.389	(27,362)	370,760	(343,398)	-
Special Education - Grants to States (IDEA, Part B)	84.027	(110,608)	788,006	(684,719)	(7,321)
IDEA Preschool	84.173	-	7,812	(7,812)	-
IDEA Part B ARRA	84.391	(56,645)	89,345	(32,700)	-
BEP ARRA	84.394	-	1,131,880	(1,131,880)	-
ARRA Internet	84.397	(77,079)	246,666	(262,028)	(92,441)
Safe and Drug-Free Schools	84.184	(215)	3,115	(2,900)	-
Education Jobs Fund	84.410	-	97,134	(118,796)	(21,662)
Title VI, Part B	84.358	(8,401)	76,565	(68,844)	(680)
Title II, Part D	84.318	-	3,200	(3,200)	-
Title III, Part A	84.365	-	11,553	(11,553)	-
Title II, Part A	84.367	(5,101)	134,130	(129,029)	-
Title IV, Part B - 21st Century	84.287	(35,921)	52,260	(50,000)	(33,661)
Title X ARRA	84.387	-	194	(194)	-
E Rate	84.302A	-	23,827	(23,827)	-
Race to the Top Incentive Grants ARRA	84.395	-	151,913	(189,160)	(37,247)
		(404,408)	4,539,421	(4,382,291)	(247,278)
United States Department of Education Grants Passed Through Tennessee Department of Education and Greene County Board of Education					
Greene County Board of Education and TN Department of Education					
Vocational Education - Perkins	84.048	43,629	121,362	(121,362)	43,629
Title I, Section 112 (c) Reserve	84.048	(43,629)	-	-	(43,629)
		-	121,362	(121,362)	-
United States Department of Defense Grant					
Junior ROTC	12.357	-	47,457	(52,248)	(4,791)
Total Board of Education		<u>\$ (404,408)</u>	<u>\$ 5,578,404</u>	<u>\$ (5,430,888)</u>	<u>\$ (256,892)</u>

(Continued)

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2011

Pass-through Grantor/ Program Title	Federal CFDA Number	(Accrued) Deferred July 1, 2010	Cash Receipts	Expenditures	(Accrued) Deferred June 30, 2011
General Fund and Community Development					
United States Department of Interior Grant Passed Through Tennessee Historical Commission					
Historical Preservation Funds-Commission Assistance & Mentoring Program	15.904	\$ -	\$ 4,500	\$ (4,500)	\$ -
United States Department of Homeland Security					
Vehicle exhaust-Fire Department Equipment	97.044	-	97,375	(97,375)	-
United States Department of Energy Grant Passed Through Tennessee Department of Economic and Community Development					
Energy Efficiency Conservation Block Grant - ARRA	81.128	-	-	(8,500)	(8,500)
United States Department of Housing and Urban Development Grant Passed Through Tennessee Department of Economic and Community Development					
Housing Rehabilitation Community Development Block Grant	14.228	-	37,170	(37,170)	-
United States Department of Health and Human Services Grant Passed Through Tennessee Commission on Aging Passed Through First Tennessee Development District					
Special Programs for the Aging - Supporting Services and Senior Centers	93.044	(1,062)	32,145	(35,100)	(4,017)
United States Department of Justice Drug Enforcement Agency					
Organized Crime Drug Enforcement Task Forces SE-TNE-0206	16.na	(569)	569	-	-
Organized Crime Drug Enforcement Task Forces SE-TNE-211H	16.na	-	9,824	(9,824)	-
		(569)	10,393	(9,824)	-
United States Department of Justice Grant Passed Through Tennessee Methamphetamine Task Force Passed Through Hamilton County					
Methamphetamine Drug Hot Spots Program	16.710	-	391	(391)	-
United States Department of Justice Bureau of Justice Assistance					
Edward Byrne Memorial Justice Assistance Program Local Solicitation (JAG)-ARRA	16.738	(14,929)	38,829	(23,900)	-
United States Department of Justice					
Bulletproof Vest Partnership Program	16.607	-	-	(3,182)	(3,182)
United States Department of Labor					
Cobra Premium Assistance ARRA	17.151	-	3,366	(3,366)	-
United States Department of Transportation Grants Passed Through Tennessee Department of Transportation					
Railroad Crossing-Approaches Adjustment Agreement	20.317	(57,146)	-	(2,361)	(59,507)
Highway Enforcement Life Protection (HELP)	20.600	-	859	(859)	-
Highway Enforcement Life Protection (HELP)	20.600	(25,920)	25,920	-	-
Highway Planning and Construction	20.205	-	235,780	(235,780)	-
		(83,066)	262,559	(239,000)	(59,507)
Total General Fund and Community Development		(99,626)	486,728	(462,308)	(75,206)
Total Federal Funds		(504,034)	6,065,132	(5,893,196)	(332,098)

TOWN OF GREENEVILLE, TENNESSEE
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Greeneville, Tennessee under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Greeneville, Tennessee, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Greeneville, Tennessee.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recorded following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - SUBRECIPIENTS

The Board of Education provided federal awards to the Greeneville/Greene County Center for Technology as follows:

<u>Program Title</u>	<u>Amount</u>
Perkins	\$67,723

NOTE D - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the estimated fair market value of the commodities received and disbursed.

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Other Grant Activity
Year Ended June 30, 2011

Grantor/Program Title	(Accrued) Deferred July 1, 2010	Cash Receipts	Expenditures	(Accrued) Deferred June 30, 2011
Board of Education				
Tennessee Department of Education				
Early Childhood	\$ -	\$ 421,631	\$ (455,830)	\$ (34,199)
Energy Efficient Schools	-	1,150	(1,150)	-
ACT Testing	-	3,072	(3,072)	-
Advanced Placement Testing	-	280	(280)	-
Basic Education Program	-	9,373,033	(9,656,508)	(283,475)
Voluntary Pre-K for Tennessee	(184,745)	606,376	(455,830)	(34,199)
Drivers Education	-	14,887	(14,887)	-
Career Ladder	-	121,460	(121,460)	-
Professional Development	(24,700)	24,700	-	-
Child Nutrition	-	12,575	(12,575)	-
Total Board of Education	<u>(209,445)</u>	<u>10,579,164</u>	<u>(10,721,592)</u>	<u>(351,873)</u>
General Fund				
Tennessee Department of Agriculture				
Farmer's Market - Downtown	-	2,484	(2,484)	-
Tennessee Commission on Aging Grant Passed Through First Tennessee Development District				
State Senior Center	-	12,400	(12,400)	-
Total General Fund	<u>-</u>	<u>14,884</u>	<u>(14,884)</u>	<u>-</u>
Pass-through to Other Agencies				
Water and Light Commission				
Aerobic Digester (EDA Project)	(96,169)	96,169	-	-
State of TN funds (Meadowbrook Project)	(150,695)	150,695	-	-
Total Water and Light Commission	<u>(246,864)</u>	<u>246,864</u>	<u>-</u>	<u>-</u>
Total State Funds	<u>\$ (456,309)</u>	<u>\$ 10,840,912</u>	<u>\$(10,736,476)</u>	<u>\$ (351,873)</u>

TOWN OF GREENEVILLE, TENNESSEE
Schedule of General Bonded Debt
June 30, 2011

Year Ended June 30	General Obligation Series 2002		General Obligation Series A		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 80,000	\$ 14,260	\$ 55,000	\$ 40,971	\$ 135,000	\$ 55,231
2013	85,000	10,465	55,000	38,771	140,000	49,236
2014	90,000	6,440	55,000	36,489	145,000	42,929
2015	95,000	2,185	60,000	34,021	155,000	36,206
2016	-	-	60,000	31,388	60,000	31,388
2017-2021	-	-	360,000	110,055	360,000	110,055
2022-2024	-	-	255,000	19,976	255,000	19,976
	<u>\$ 350,000</u>	<u>\$ 33,350</u>	<u>\$ 900,000</u>	<u>\$ 311,671</u>	<u>\$ 1,250,000</u>	<u>\$ 345,021</u>

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Notes Payable
June 30, 2011

	G.O. Refunding Bonds, Series 2009		G.O. Refunding Bond, Series 2010		G.O. Bonds, Series 2010		Total	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 110,000	\$ 427,950	\$ -	\$ 390,075	\$ 180,000	\$ 28,300	\$ 290,000	\$ 846,325
2013	115,000	425,200	-	390,075	250,000	24,700	365,000	839,975
2014	120,000	422,325	-	390,075	280,000	19,700	400,000	832,100
2015	120,000	419,025	-	390,075	320,000	14,100	440,000	823,200
2016	125,000	415,425	760,000	390,075	350,000	7,700	1,235,000	813,200
2017-2021	4,415,000	1,886,789	2,865,000	1,621,650	-	-	7,280,000	3,508,439
2022-2026	6,325,000	636,938	2,470,000	1,394,750	-	-	8,795,000	2,031,688
2027-2029	-	-	5,025,000	405,000	-	-	5,025,000	405,000
	<u>\$ 11,330,000</u>	<u>\$ 4,633,652</u>	<u>\$ 11,120,000</u>	<u>\$ 5,371,775</u>	<u>\$ 1,380,000</u>	<u>\$ 94,500</u>	<u>\$23,830,000</u>	<u>\$10,099,927</u>

See accompanying independent auditors' report.

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Interfund Transfers - All Funds
Year Ended June 30, 2011

Transfer From	Transfer To			Total
	General Fund	General Purpose School Fund	Municipal Solid Waste Fund	
General Fund	\$ -	\$ 5,442,395	\$ 414,612	\$ 5,857,007
Community Development Fund	163,412	-	-	163,412
Light & Power System	<u>1,102,760</u>	<u>-</u>	<u>-</u>	<u>1,102,760</u>
	<u>\$ 1,266,172</u>	<u>\$ 5,442,395</u>	<u>\$ 414,612</u>	<u>\$ 7,123,179</u>

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Changes in Taxes Receivable
Year Ended June 30, 2011

Year of Levy	Assessment	Rate	Total Levy	Balance Unpaid 7/1/2010	Levy	Collections	Releases, Adjustments & Abatements	Balance Unpaid 6/30/2011
2011	\$ 428,831,865	1.86	\$ 7,976,273	\$ -	\$ 7,976,273	\$ -	\$ -	\$ 7,976,273
2010	428,831,865	1.86	8,278,513	-	-	7,672,969	-	605,544
2009	436,600,539	1.86	8,148,244	537,625	-	431,565	-	106,060
2008	434,527,018	2.29	8,339,350	90,208	-	49,493	-	40,715
2007	354,959,015	2.29	8,128,569	45,341	-	22,839	-	22,502
2006	344,008,201	2.29	7,877,788	9,244	-	247	-	8,997
2005	343,925,015	2.29	7,980,733	7,289	-	-	-	7,289
2004	336,401,719	2.29	8,031,950	8,523	-	-	-	8,523
2003	331,437,664	2.56	7,884,627	10,237	-	-	-	10,237
2002	286,366,462	2.56	7,617,194	18,514	-	-	-	18,514
2001	300,134,156	2.40	7,684,302	9,054	-	-	-	9,054
2000	271,400,826	2.40	6,514,041	5,010	-	2	-	5,008
1999	273,828,610	2.22	6,571,907	-	-	-	-	-
				<u>\$ 741,045</u>	<u>\$ 7,976,273</u>	<u>\$ 8,177,115</u>	<u>\$ -</u>	8,818,716
Less allowance for uncollectibles								<u>(89,743)</u>
								<u>\$ 8,728,973</u>

* As of June 30, 2011, all unpaid taxes for years 2009 and earlier had been turned over to the county clerk and master for collection.

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Customer and Rate Data
Light & Power System
June 30, 2011

Customer Data

	<u>2011</u>	<u>2010</u>	<u>Decrease</u>
Number of customers served in the month of June	37,706	37,799	93

Rate Data

	<u>Customer Charge</u>	<u>Energy Charge (Per kWh)</u>
Residential rate -	\$11.11	\$.08666
General power rate - Schedule GSA		

Base Charges

- A. This rate shall apply to the firm power requirements (where a customer's contract demand is 5,000 kW or less) for electric service to commercial, industrial, and governmental customers, and to institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers. This rate shall also apply to customers to whom service is not available under any other resale rate schedule.
1. If the higher of (i) the customer's currently effective contract demand, if any, or (ii) its highest billing demand during the latest 12-month period is not more than 50 kW:

Customer Charge: \$15.50 per delivery point per month

Energy Charge: \$0.09837 per kWh per month
 2. If (a) the higher of (i) customer's currently effective contract demand or (ii) its highest billing demand during the latest 12-month period is greater than 50 kW but not more than 1,000 kW or (b) the customer's billing demand is less than 50 kW and its energy takings for any month during such period exceed 15,000 kWh:

Customer Charge: \$30.00 per delivery point per month

Demand Charge: First 50 kW of billing demand per month, no demand charge

Excess over 50 kW of billing demand per month, at \$11.33 per kW

Energy Charge: First 15,000 kWh per month at \$0.09914 per kWh

Additional kWh per month at \$0.06078 per kWh
 3. If (a) the higher of the customer's currently effective contract demand or (b) its highest billing demand during the latest 12-month period is greater than 1,000 kW but not more than 2,500 kW:

Customer charge: \$200.00 per delivery point per month

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Customer and Rate Data (Continued)
Light & Power System
June 30, 2011

Demand Charge: First 1,000 kW of billing demand per month, at \$10.40 per kW

Additional kW of billing demand per month at \$10.51 per kW

Energy Charge: \$0.06288 per kWh per month

4. If (a) the higher of the customer's currently effective contract demand or (b) its highest billing demand during the latest 12-month period is greater than 2,500 kW but no more than 5,000 kW:

Customer charge: \$325.00 per delivery point per month

Demand Charge: First 1,000 kW of billing demand per month, at \$10.40 per kW

Additional kW of billing demand per month, at \$10.51 per kW

Energy Charge: \$0.06288 per kWh per month

- B. This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 5,000 kW but not more than 15,000 kW.

Customer Charge: \$1,500 per delivery point per month

Demand Charge: \$14.89 per kW of billing demand per month, plus an additional

\$14.89 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds its contract demand

Energy Charge: \$0.04132 per kWh for up to 620 hours use of metered demand per month

\$0.03372 per kWh for all additional kWh per month

- C. This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 15,000 kW but not more than 25,000 kW.

Customer Charge: \$1,500 per delivery point per month

Demand charge: \$14.89 per kW of billing demand per month, plus an additional

\$14.89 per kW per month for each kW, if any, of the amount by which the customer's billing demand exceeds its contract demand

Energy Charge: \$0.04312 per kWh for up to 620 hours use of metered demand per month

\$0.03372 per kWh for all additional kWh per month

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Customer and Rate Data (Continued)
Light & Power System
June 30, 2011

- D. This rate shall apply to the firm electric power requirements where a customer's currently effective contract demand is greater than 25,000 kW.

Customer Charge: \$1,500 per delivery point per month

Demand Charge: \$18.24 per kW of billing demand per month, plus an additional
\$18.24 per kW per month for each kW, if any, of the amount by
which the customer's billing demand exceeds its contract demand

Energy Charge: \$0.03314 per kWh per month

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Customer and Rate Data
Water and Light Commission
June 30, 2011

	<u>Customers</u>		Hundreds of Cubic Feet of Water <u>Consumption</u>	<u>Revenue</u>	
	<u>Water</u>	<u>Wastewater</u>		<u>Water</u>	<u>Wastewater</u>
June, 2011	9,911	7,224	306,678	\$ 405,856	\$ 206,906
June, 2010	<u>9,854</u>	<u>7,173</u>	<u>273,870</u>	<u>349,824</u>	<u>180,018</u>
Increase (decrease)	<u>57</u>	<u>51</u>	<u>32,808</u>	\$ <u>56,032</u>	\$ <u>26,888</u>

The following is a schedule of water rates inside the city:

Metered Rates

First 300 cubic feet or less	\$5.30
Next 700 cubic feet	1.48 per 100 cubic feet
Next 1,000 cubic feet	1.27 per 100 cubic feet
Next 2,000 cubic feet	1.11 per 100 cubic feet
All over 4,000 cubic feet	.98 per 100 cubic feet

Class W2 - Double Minimum - Multiple Service

First 300 cubic feet or less	\$5.30
Next 300 cubic feet	1.77
Next 1,400 cubic feet	1.48 per 100 cubic feet
Next 2,000 cubic feet	1.27 per 100 cubic feet
Next 4,000 cubic feet	1.11 per 100 cubic feet
All over 7,700 cubic feet	.98 per 100 cubic feet

Sewer customers were charged \$2.28 per 100 cubic feet of water used plus a flat monthly charge of \$1.58 for administrative costs. Minimum sewer usage charges were \$8.43. Customers outside the city are charged an additional 100% of the basic water and sewer rates. Industrial water surcharges based on concentration and volume are assessed certain commercial customers.

These rates went into effect January 1, 2011 and are reflective of a 6% increase in water and 12% increase in wastewater. Increases were approved of 3% water and 12% wastewater effective January 1, 2012, and 3% effective January 1, 2013.

All bills are subject to a 10% penalty if not paid within ten days after the due date, except that commercial users, accustomed to paying at regular intervals, are allowed to pay the net bill after the penalty dates.

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Insurance Coverage
June 30, 2011

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
<u>Town of Greeneville</u>	
Property Insurance per Company Forms Building and structures and contents (Blanket)	\$ 22,893,410 5,000 deductible
Comprehensive General Liability	300,000/700,000/100,000 1,000,000 per occurrence for each other loss 5,000 deductible
Auto Liability	300,000/700,000/100,000 1,000,000 per occurrence for each other loss 5,000 deductible
Comprehensive	250 deductible per policy schedule
Collision	1,000 deductible per policy schedule
Public Employee Blanket Bond	100,000
City Recorder Bond	50,000
Workers' Compensation	300,000 each accident 700,000 policy limit 300,000 each employee
Equipment Floater	2,005,436 500 deductible
EDP Equipment	263,196 500 deductible
Boiler and Machinery	24,898,846 1,000 deductible
Law Enforcement Liability	300,000/700,000/100,000 1,000,000 per occurrence for each other loss 5,000 deductible
Errors and Omissions	1,000,000 per occurrence 5,000 deductible per occurrence

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Insurance Coverage (Continued)
June 30, 2011

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
<u>Board of Education</u>	
Property Coverage	
Buildings and personal property	\$ 86,851,987
Electronic data processing equipment	1,394,085
Mobile equipment	80,553
Equipment breakdown	86,851,987
Comprehensive General Liability	
General liability and personal injury liability	300,000
Bodily injury or personal injury	700,000
Other	2,000,000
Property damage	100,000
Fire damage	100,000
Impounded property	100,000
Medical per person	1,000
Medical per accident	10,000
Auto Liability	
Bodily injury or personal injury per person	300,000
Bodily injury or personal injury per occurrence	700,000
Property damage	100,000
Other	2,000,000
Public Official Liability	2,000,000
Treasurer's Bond	631,685
Workers' Compensation	
Each accident	300,000
Policy limit	700,000
Each employee	300,000

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Insurance Coverage (Continued)
June 30, 2011

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
<u>Light & Power System</u>	
Property	\$ 39,609,830
General liability	250,000/750,000
Auto liability	1,000,000
Medical payments	2,000
Uninsured motorists	1,000,000
Workers' compensation	1,000/1,000/1,000,000
Excess liability	750,000/2,250,000/10,000,000
Public officials D&O	1,000,000
Boiler and machinery	10,000,000
Commercial crime	\$1.50 per KVA
Pollution liability	200,000
Per accident	750,000
Aggregate	34,500,000

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Insurance Coverage (Continued)
June 30, 2011

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
<u>Water and Light Commission</u>	
Fidelity Bonds	
Public employee dishonesty coverage	\$ 100,000
Surety bond	2,500
Notary public	10,000
Property	
Blanket policy all buildings, contents and equipment	
less \$2,500 deductible	25,312,844
Boiler and machinery less \$2,500 deductible	25,312,844
Commercial General Liability	
Bodily injury and property damage liability	2,000,000/4,000,000
Per occurrence less \$2,500 deductible	
Aggregate less \$2,500 deductible	
Bodily injury- Each person	300,000
Bodily injury total	700,000
Property Damage	100,000
Errors and Omissions Liability	
less \$5,000 deductible	2,000,000/4,000,000
Bodily injury- Each person	300,000
Bodily injury total	700,000
Property Damage	100,000
Vehicles	
Liability	1,000,000
Medical payments:	
Per accident	10,000
Uninsured motorist:	
Bodily injury per occurrence	350,000
Comprehensive - as per schedule on policy	
less \$1,000 deductible	ACV
Collision - as per schedule on policy	
less \$1,000 deductible	ACV
Workers' Compensation and Employer's Liability	
Bodily injury by accident - each accident	500,000
Bodily injury by disease - policy limit	500,000
Bodily injury by disease - each employee	500,000
Inland marine - Contractor's equipment	
less \$1,000 deductible	500,608

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Unaccounted for Water
Year Ended June 30, 2011

(All amounts in gallons)

A Water Treated and Purchased:		
B	Water Pumped (potable)	3,006,108,000
C	Water Purchased	0
D	Total Water Treated and Purchased (Sum Lines B and C)	3,006,108,000
 E Accounted for Water:		
F	Water Sold	2,384,653,172
G	Metered for Consumption (in house usage)	0
H	Fire Department(s) Usage	290,665
I	Flushing	1,243,819
J	Tank Cleaning/Filling	62,104,794
K	Street Cleaning	192,000
L	Bulk Sales	0
M	Water Bill Adjustments	0
N	Total Accounted for Water (Sum Lines F thru M)	2,448,484,450
O	Unaccounted for Water (Line D minus Line N)	557,623,550
P	Percent Unaccounted for Water (Line O divided by Line D times 100)	18.5%
Q	Other (explain)	See below

Explain Other:

Used for swimming pools and accountable line breaks 2,013,175
--

All amounts included in this schedule are supported by documentation on file at the Commission office. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

Mayor and Board of Aldermen
Town of Greeneville, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Greeneville, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the Town of Greeneville, Tennessee's basic financial statements and have issued our report thereon dated March 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Greeneville, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Greeneville, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Greeneville, Tennessee's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

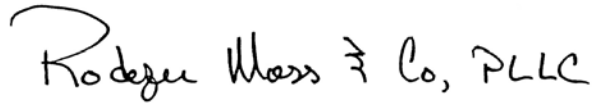
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. [findings 11-1 through 11-9]. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Greeneville, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town of Greeneville, Tennessee's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Greeneville, Tennessee's response and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, federal awarding agencies and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Roderick Moss & Co, PLLC". The signature is written in a cursive, flowing style.

Greeneville, Tennessee
March 14, 2012

Independent Auditor's Report on Compliance with Requirements That Could Have a
Direct and Material Effect on Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133

Mayor and Board of Aldermen
Town of Greeneville, Tennessee

Compliance

We have audited the Town of Greeneville, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Greeneville, Tennessee's major federal programs for the year ended June 30, 2011. The Town of Greeneville, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Greeneville, Tennessee's management. Our responsibility is to express an opinion on the Town of Greeneville, Tennessee's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Greeneville, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Greeneville, Tennessee's compliance with those requirements.

In our opinion, the Town of Greeneville, Tennessee, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Town of Greeneville, Tennessee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Greeneville, Tennessee's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Greeneville, Tennessee's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, federal awarding agencies and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Rodger Moss & Co, PLLC

Greeneville, Tennessee
March 14, 2012

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Findings and Questioned Costs
June 30, 2011

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Town of Greeneville, Tennessee.
2. Nine significant deficiencies disclosed during the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Town of Greeneville, Tennessee, which would be required to be reported in accordance with *Government Auditing Standard*, were disclosed during the audit.
4. None of the significant deficiencies relating to the audit of major federal award programs are reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Town of Greeneville, Tennessee, expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with paragraph 1110.6 of OMB Circular A-133.
7. The programs tested as major programs included: NCLB, Title I, (84.010 and 84.389); SFSF, Education State Grants, (84.394 and 84.397); and SFSF Race-to-the-Top Incentive Grants, (84.395).
8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. The Town of Greeneville, Tennessee qualified as a low-risk auditee.
10. There were no questioned costs.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Town of Greeneville

FINDINGS AS A RESULT OF SIGNIFICANT DEFICIENCIES

11-1

Observation: Receivables from and payables to other governments were not properly reflected in the financial statements. Failure to properly and timely record inter-governmental balances can easily cause those charged with governance to make ineffective or erroneous funding decisions with taxpayer funds. This was also a finding in the prior year.

Recommendation: General ledger accounts should be reviewed monthly and adjusted to ensure that accounts properly reflect receivables from and payables to other government entities.

Management Response: General ledger accounts are timely reviewed and management agrees should be reconciled to subsidiary payable and receivable reports.

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Findings and Questioned Costs - (Continued)
June 30, 2011

11-2

Observation: Fund balance was not properly adjusted at year end which caused a receivable to not be properly recorded in a fund and cash to be misstated in three funds.

Recommendation: Journal entries should be reviewed timely to ensure they are properly recorded. Before a suggested entry is made, it should be reviewed for accuracy. In addition, fund balance should be reviewed and reconciled at year end.

Management Response: The creation of a Budget Committee for the Town will oversee journal entries for accuracy.

11-3

Observation: Several instances were noted in which purchase orders were not completed. In addition, a bid was not found for a purchase over \$200 as required by Town policy. This was also a finding in the prior year.

Recommendation: Purchase orders should be properly completed and approved prior to a purchase being made. In addition the bid policy of the Town should be followed. The Town may want to consider adopting a bid policy that is less stringent.

Management Response: Management agrees with this recommendation and will provide documentation and instruction to each department head to ensure purchase orders are completed and approved prior to purchases being made. In addition, the Town will ensure each department understands the significance of purchase orders and bid procedures.

11-4

Observation: Firefighters were paid for each hour worked over their scheduled shift hours for training even when the total hours did not exceed 160. This procedure is in violation of the employee handbook. This was also a finding in the prior year.

Recommendation: All wages should be paid in accordance with the employee handbook and should conform to all applicable laws. According to the employee manual, Firefighters shall be paid their regular hourly rate for hours worked in excess of 160 hours in their 28-day pay period.

Management Response: Research of this procedure will be performed and updates to the employee handbook will be made as needed or the practice will be changed to be in agreement with the handbook.

11-5

Observation: As part of the audit, we prepared the financial statements, including government-wide presentation and related notes from information provided by the Town. Numerous and material adjustments were necessary to properly record and adjust transactions. This also resulted in amounts exceeding budgeted amounts for several accounts. This was also a finding in the prior year.

Recommendation: There should be procedures in place to make all year end adjustments and budget amendments. Accounts should be maintained, reconciled, reviewed, and approved timely to allow for proper recording in the financial statements.

Management Response: The Town of Greeneville has previously relied on others to make adjusting entries of this type. The Town will work with MTAS to assist with these requirements in order to be in compliance with the standards required by GASB. In addition, The Town hired a Town Administrator in January 2012. This new position should help to mitigate this in the future.

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Findings and Questioned Costs - (Continued)
June 30, 2011

11-6

Observation: The Town's subsidiary ledgers were not in agreement with the general ledger. This failure to timely perform a customary internal control procedure creates a control environment whereby material financial statement misstatements may occur and not be detected in a timely fashion. This was also a finding in the prior year.

Recommendation: All balance sheet accounts should be reconciled monthly to their subsidiary ledgers or other support to ensure that accuracy of the monthly financial statements. Balance sheet reconciliations quickly identify errors and needed corrections. If reconciliations are performed infrequently, errors and adjustments can occur, resulting in the need for significant untimely corrections. Any reconciling differences should be corrected before the books are closed for the month end.

Management Response: Management agrees and will take steps to reconcile these subsidiary ledgers.

Board of Education

SIGNIFICANT DEFICIENCIES

11-7

Observation: Due to the small size of the bookkeeping staff within the Extended School Program and School Nutrition, segregation of duties is inadequate. This was also a finding in the prior year.

Recommendation: Duties should be segregated so that one person is performing only one of the following functions in relation to a specific aspect of the organization.

- 1) Custody
- 2) Recording
- 3) Authorization

Management's Response: Management agrees with this recommendation. Due to a limited accounting staff, segregation of duties is difficult. Presently, there is one individual preparing the deposit, with a second person verifying the deposit ticket, and then a third person taking the deposit to the bank. In addition, the person performing the monthly bank reconciliation of the checking accounts is not responsible for the monthly financial statement preparation.

TOWN OF GREENEVILLE, TENNESSEE
Schedule of Findings and Questioned Costs - (Continued)
June 30, 2011

11-8

Observation: There was a check written, recorded as expense, and held and not mailed. This was also a finding in the prior year.

Recommendation: Checks should only be written for expenses currently due. Checks should be dated the day they are written and mailed. Accounts payable should be set up to record expenses in the proper period.

Management's Response: Management agrees with this recommendation. Checks will only be written once invoices and/or materials purchased have been received. Any outstanding purchase orders will be setup as accounts payable if items have not been received by year end.

11-9

Observation: In School Nutrition, there was a purchase order not found for an item purchased over \$100. This was also a finding in the prior year.

Recommendation: A purchase order should be dated and approved prior to a purchase being made.

Management's Response: Management agrees with this recommendation. Purchase order policies are in place and being enforced by management.

C. FINDINGS - MAJOR FEDERAL PROGRAM AWARDS AUDIT

None